

Canada, Railways, Canals and Telegraph Lines
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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

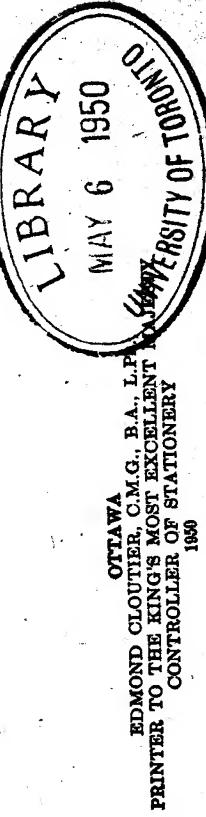
BILL No. 7

"AN ACT TO INCORPORATE ALBERTA NATURAL
GAS COMPANY".

THURSDAY, APRIL 27, 1950

WITNESSES:

Mr. A. F. Dixon, President Alberta Natural Gas Company; Mr. John J. Connolly, K. C., parliamentary agent.



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OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.A.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 277,
THURSDAY, April 27, 1950.

The Standing Committee on Railways, Canals and Telegraph Lines met at 11.00 o'clock a.m. The Chairman, Mr. L. O. Breithaupt, presided.

Members present: Messrs. Adamson, Bonnier, Bourget, Breithaupt, Byrne, Carroll, Carter, Darroch, Decore, Dewar, Douglas, Ferguson, Gauthier (*Portneuf*), Goode, Gourd (*Chapleau*), Green, Harkness, Harrison, Herridge, Higgins, Hodgson, James, Jones, Jutras, Lafontaine, Lennard, Maybank, McCulloch, McGregor, McIvor, Mott, Murray (*Cariboo*), Nixon, Noseworthy, Pearkes, Prudham, Richard (*St. Maurice-Lafleche*), Riley, Robinson, Rooney, Smith (*Calgary West*), Stuart (*Charlotte*), Thomson, Ward, Whiteside, Wylie.

In attendance: Mr. John J. Connolly, K.C., Parliamentary Agent on behalf of Alberta Natural Gas Company; Mr. A. F. Dixon, President, Alberta Natural Gas Company.

The Committee resumed consideration of Bill No. 7, An Act to incorporate Alberta Natural Gas Company.

Mr. A. F. Dixon's examination was continued. The witness, as requested by the Committee, filed certain charts outlining the various routes contemplated for the pipelines.

On motion of Mr. McCulloch the said charts were ordered to be printed in the record.

As previously agreed, Mr. Connolly was allowed to put questions to the witness.

At 1.00 o'clock p.m., on motion of Mr. Mott, the Committee adjourned to meet again at 4.00 o'clock p.m.

AFTERNOON SITTING

The Committee met at 4.00 o'clock p.m. The Chairman, Mr. L. O. Breithaupt, presided.

Members present: Messrs. Adamson, Bertrand, Bonnier, Bourget, Breithaupt, Byrne, Cannon, Carroll, Carter, Darroch, Decore, Dewar, Douglas, Ferguson, Gauthier (*Portneuf*), Goode, Gourd (*Chapleau*), Green, Harkness, Herridge, Higgins, Hodgson, James, Jones, Jutras, Lafontaine, Lennard, Maybank, McCulloch, McGregor, McIvor, Mott, Murray (*Cariboo*), Nixon, Noseworthy, Prudham, Richard (*St. Maurice-Lafleche*), Riley, Robinson, Rooney, Shaw, Smith (*Calgary West*), Stuart (*Charlotte*), Ward, Whiteside, Wylie.

In attendance: The same persons as are indicated for the morning sitting.

The Committee resumed consideration of Bill No. 7, An Act to incorporate Alberta Natural Gas Company.

Mr. A. F. Dixon's examination was continued.

At 6.00 o'clock p.m., on motion of Mr. Riley, the Committee adjourned to meet again at 8.30 o'clock p.m.

EVENING SITTING

The Committee met at 8.30 o'clock p.m. The Chairman, Mr. L. O. Breithaupt, presided.

Members present: Messrs. Adamson, Applewhaite, Bertrand, Bonnier, Bourget, Breithaupt, Byrne, Cannon, Carroll, Carter, Darroch, Decore, Dewar, Douglas, Ferguson, Gauthier (*Portneuf*), Gillis, Goode, Gourd (*Chapleau*), Green, Harkness, Herridge, Higgins, Hodgson, James, Jones, Jutras, Lafontaine, Lennard, Maybank, McCulloch, McGregor, McIvor, Mott, Murray (*Cariboo*), Nixon, Noseworthy, Pearkes, Prudham, Riley, Robinson, Rooney, Shaw, Smith (*Calgary West*), Stuart (*Charlotte*), Ward, Whiteside, Wylie.

In attendance: Mr. Connolly and Mr. Dixon.

The Committee resumed consideration of Bill No. 7, An Act to incorporate Alberta Natural Gas Company.

Mr. Dixon's examination was continued.

Mr. Maybank, of the Committee, moved:

That the Committee adjourn until 11.00 o'clock, to-morrow, Friday, 28th April; that the one hour between eleven o'clock a.m. and twelve o'clock noon be used for continued taking of evidence and thereafter the Committee proceed to a clause by clause consideration of the said Bill No. 7.

After some debate thereon and the question having been put on the said motion of Mr. Maybank, it was resolved in the affirmative on the following recorded division:

Yea: Messrs. Applewhaite, Bertrand, Bonnier, Bourget, Byrne, Cannon, Carroll, Carter, Darroch, Decore, Dewar, Douglas, Gauthier (*Portneuf*), Goode, Gourd (*Chapleau*), James, Jutras, Lafontaine, Maybank, McCulloch, McIvor, Mott, Murray (*Cariboo*), Nixon, Prudham, Riley, Robinson, Rooney, Ward, Whiteside, Wylie.—31

Nay: Messrs. Adamson, Ferguson, Green, Harkness, Herridge, Higgins, Hodgson, Jones, Lennard, Pearkes, Smith (*Calgary West*).—11.

The Committee adjourned to meet again at 11.00 o'clock a.m., Friday, April 28th.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

April 27, 1950.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11.00 a.m. The Chairman, Mr. L. O. Breithaupt, presided.

The CHAIRMAN: Gentlemen, we have a quorum. We will proceed with further consideration of bill No. 7. Mr. Dixon has had sketch maps prepared showing the various routes. These will be distributed. If it meets with your approval we will proceed where we left off last evening.

Mr. A. F. Dixon called:

The WITNESS: I will file these charts, Mr. Chairman.

Mr. PRUDHAM: Is it your intention to continue hearing evidence as to routes?

The CHAIRMAN: I think that is the wish of the committee, because a good deal of time has been taken up on the subject already.

Mr. PRUDHAM: I would then like to move that the Chairman be empowered to call additional witnesses to give evidence as to route.

Mr. GOODE: I second that motion, Mr. Chairman.

The CHAIRMAN: Is there any discussion on that question? If not, are you agreed?

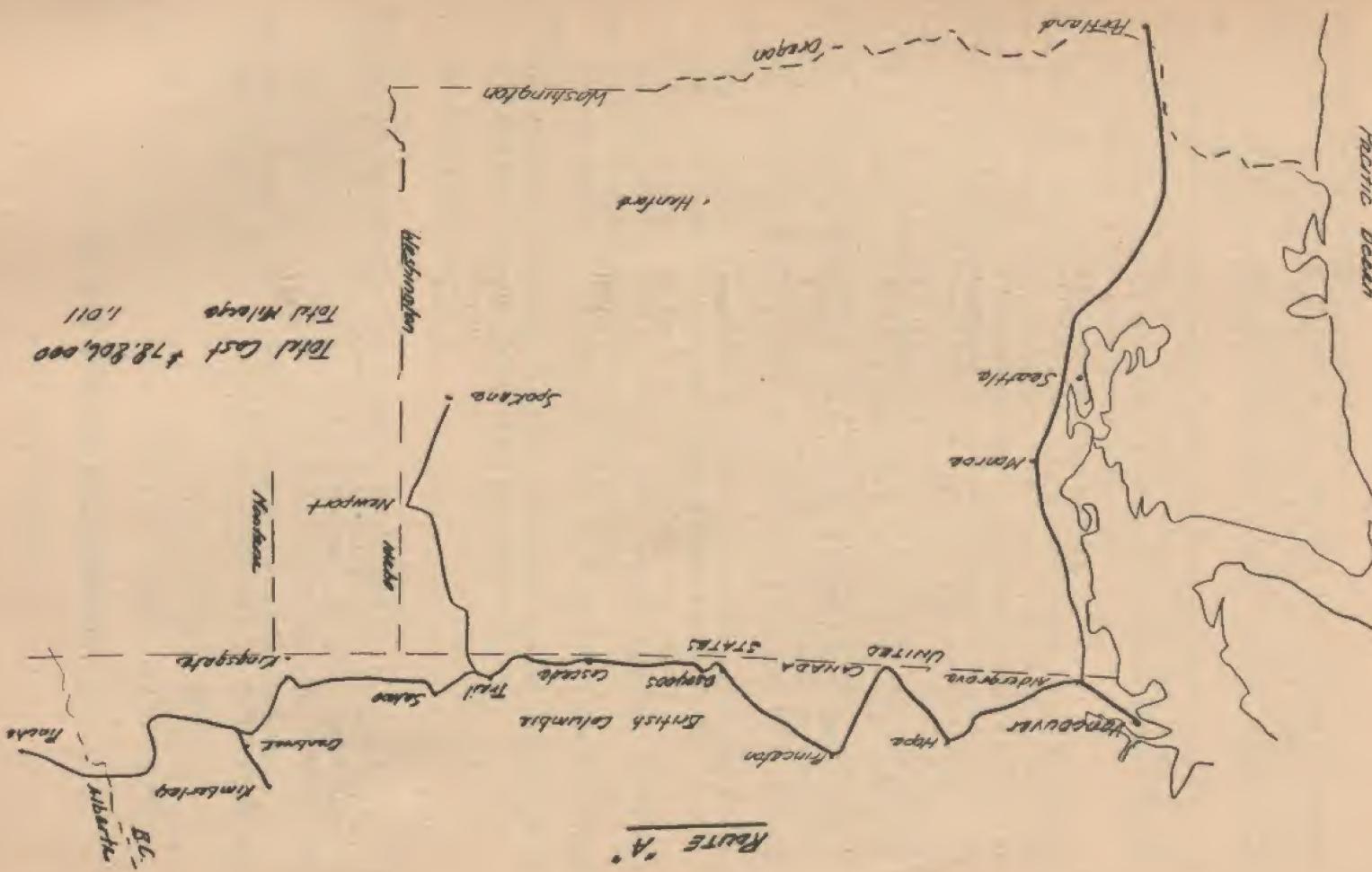
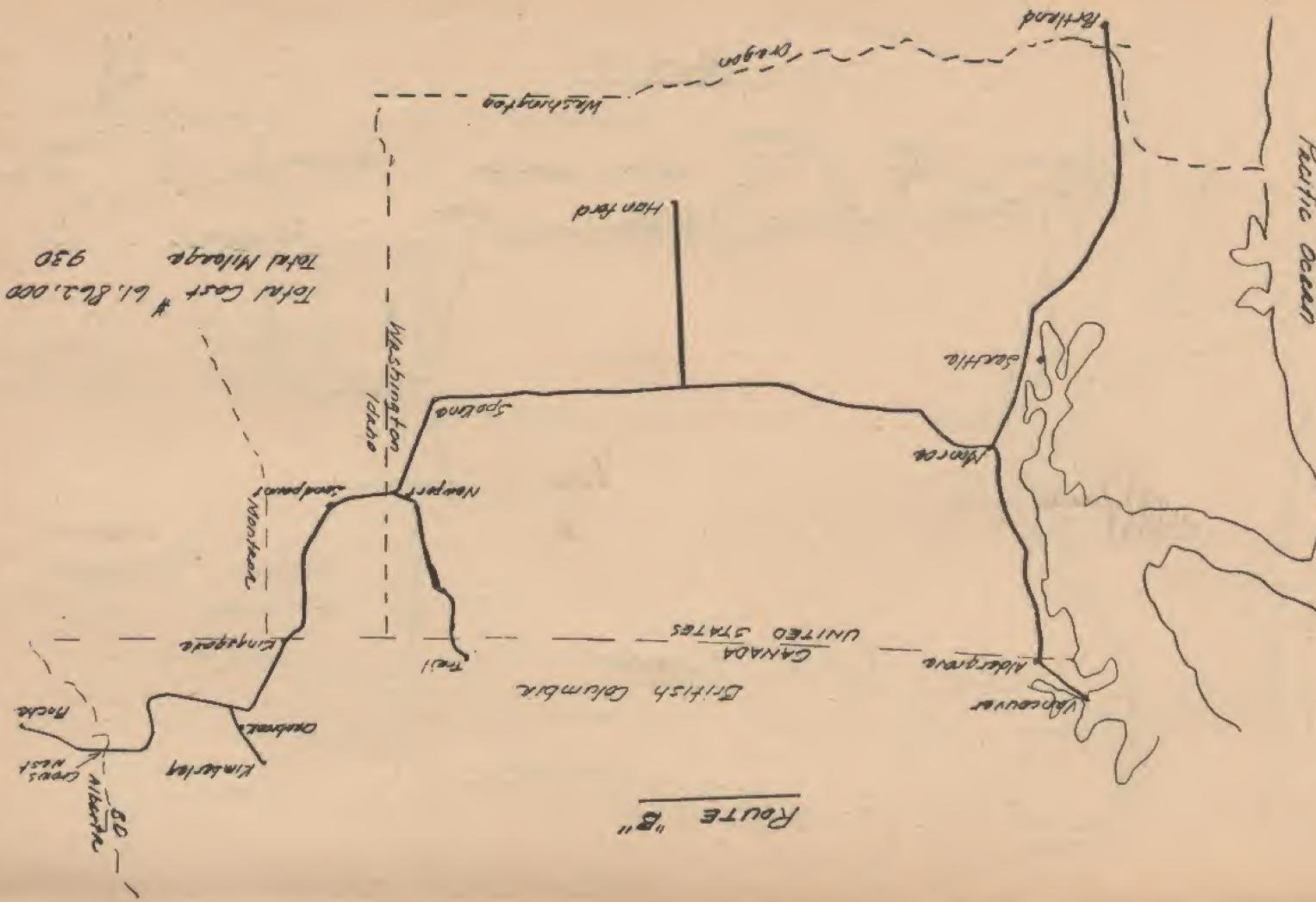
Mr. CARROLL: I do not know about that, but I am sure there would be only one question that I would be interested in and that is the question of route; not that I know anything about this thing at all, but the question put to Mr. Connolly yesterday was as to whether or not when they go before the Board of Transport Commissioners they are going to indicate to the Board that they have a preference as to routes? I do not know but I do not think that this committee, as a committee, has much to do with routes at the present time. I do not know that there is any recommendation that we can make to the Board of Transport Commissioners or any amendment we can make to the Act. However, I am in the hands of the committee who know more about it than I do.

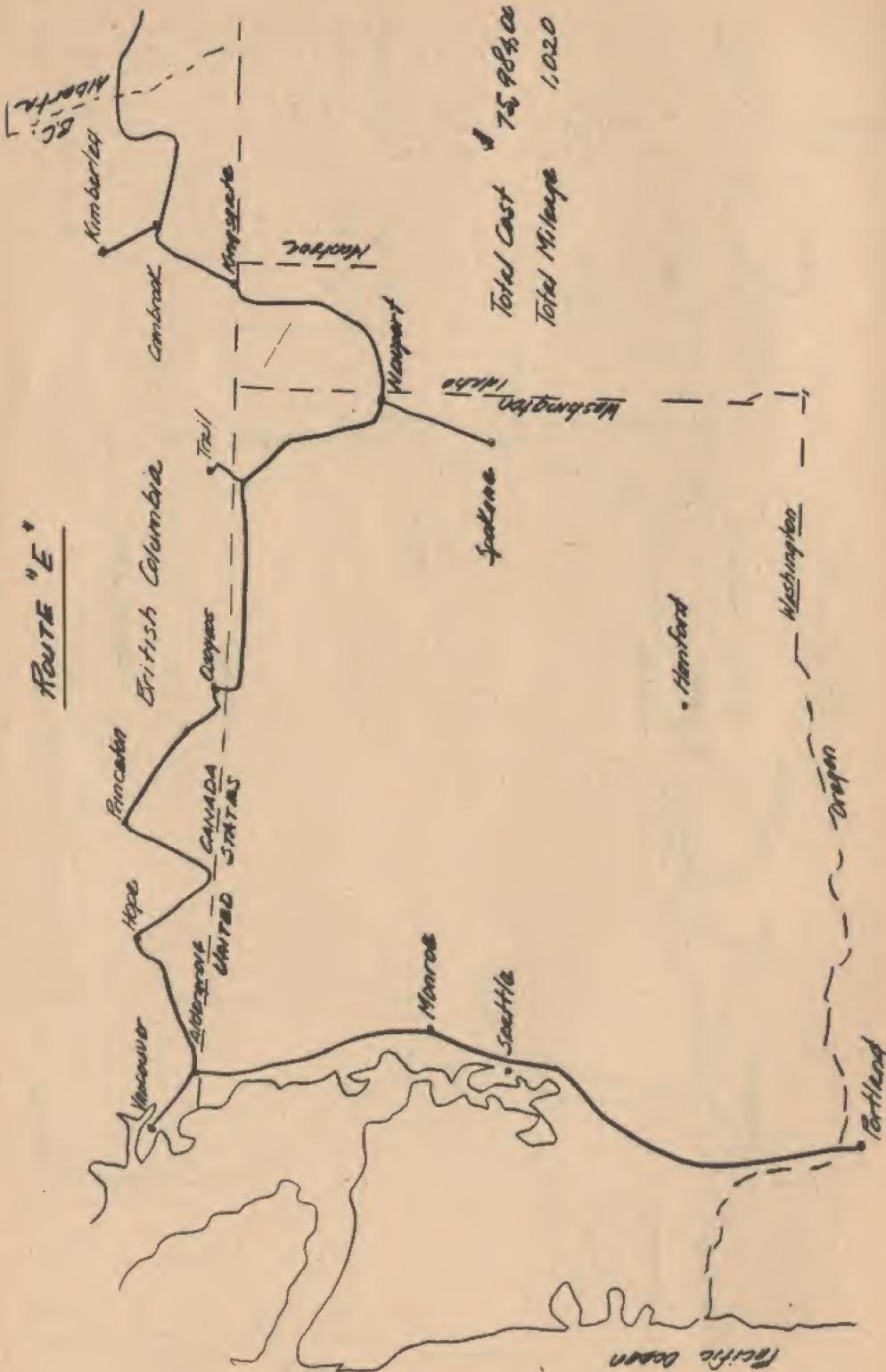
Mr. MAYBANK: Mr. Chairman, I think that if we bring in any more witnesses with reference to routes we will only waste more time and I do not think that the route question is germane to this bill.

Mr. LENNARD: What do you mean, waste time?

Mr. MAYBANK: Just what I said. I was asked a moment ago to raise my voice and I did that, and the words I used are small and plain, I hope. The whole aim here, on the part of some filibusterers, is to establish a monopoly of a particular company.

Mr. GREEN: Mr. Chairman, I must object to that. That is a remark which should be withdrawn. That is a direct insult and meant to be so. It is not the truth and I must ask that it be withdrawn. I would ask for a ruling. I object to the sponsor of this bill getting up and making a very inaccurate statement and I ask that that remark be withdrawn.





The CHAIRMAN: I see no objection to the withdrawal of it.

Mr. MAYBANK: There is no objection to it being withdrawn excepting that I shall not withdraw it.

Mr. GREEN: Mr. Chairman, I would ask for a ruling. We are not here to be abused like this. We started out these committee meetings on the basis that everybody was trying to do what is best for Canada. We do not all agree on the courses that should be followed but no member of parliament, either in the House or in the committee, has to put up with dirty inferred abuse in a remark like that and I ask that it be withdrawn without any qualifications. I am saying that Mr. Maybank said that there are some of us here trying to fight for a monopoly for one company, which is a lie.

Mr. MAYBANK: I did not say that. Mr. Chairman, what I said was some of the filibusterers are aiming at the establishment of a monopoly.

Mr. GREEN: They are not.

Mr. MAYBANK: I do not know how he can say that.

Mr. GREEN: You have no right to say that.

Mr. MAYBANK: I think I have a right to say it. However, we will get along with this matter this way: merely to advance the action, I will withdraw it. It is on the record though.

The CHAIRMAN: I do not think we will get further along like this.

Mr. MAYBANK: I do not know just how one does manage to make statements and have them withdrawn. It is on the record and the people who have heard it will, no doubt, continue to be influenced by it, some one way, and some another. The question before us is to decide on a certain bill, whether certain people will be granted the opportunity of making an application to the Board of Transport Commissioners, that is all. There is no question of route. We have had a great deal of evidence about route here and I fancy with some justification as far as that goes because it was said in the House, I think, at times. I never said it, but I have it in mind that it was said here in committee a good deal of information could be got. Nevertheless the route question is not the question which is in this bill. All we are here for is to pass, or not pass a bill, and if we go on endeavouring to bring in additional evidence of possible routes, we will be here a very long time, which is, I have no doubt, the desire in some quarters, but it is not a desire that I think will find favour with the majority of the committee.

Now, there is also another point. I do not know whether this committee can empower the Chairman to call any witnesses excepting those already in the terms of reference, and if that power is in the terms of reference then, of course, this committee can direct that a particular witness be called, but I doubt very much that it is within our power as a committee to call just whomever we wish, and in any event, if there are going to be some called, we can decide better after it has had consideration following this discussion.

The CHAIRMAN: Just to clear up the question of the terms of reference. The clerk will read them to the committee.

The CLERK OF COMMITTEE (reading):

—That the standing committee of Railways, Canals and Telegraph Lines be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Mr. MAYBANK: That would indicate that we only have power to deal with matters which are germane to the inquiry.

Mr. CARROLL: The reason I made that suggestion before was that it would enable those people who oppose the granting of this charter, the people who are opposing this bill and opposing the route that this pipe line will take, to have

information to take before the Board of Transport Commissioners and to set up reasons for or against the route that this present proposed company would be advocating before the Board of Transport Commissioners.

Mr. BYRNE: Mr. Chairman, I would like to ask Mr. Dixon a question which has a bearing on the proposed motion of Mr. Prudham. Notwithstanding the fact that the Alberta Natural Gas Company have made a preliminary survey on five routes to the Pacific coast, if the Board of Transport Commissioners determines that one or more routes covering different areas would be to the best advantage of the Canadian people having arrived at the decision that the gas will be economically saleable on the west coast, would they be prepared to build a pipe line on some such route as the Board of Transport Commissioners may determine.

Mr. DIXON: We would.

Mr. GOODE: Mr. Chairman, I do not think Mr. Maybank can accuse me of filibustering in this matter.

Mr. MAYBANK: I did not mention you, Mr. Goode. I would also like to say this with reference to the filibustering that I have no complaint against anyone who desires to filibuster. I have no objection, but I do not happen to have had Mr. Goode in mind.

Mr. GOODE: Speaking to this motion, Mr. Chairman, while I seconded it, it was because in the memorandum submitted by this campany it says on page 6 that Mr. Dixon is available to supply information on these routes. I think the company has brought this matter to the attention of the committee. Yesterday we received a good impression of Mr. Dixon but he does not prove anything to me whatsoever because it is his opinion that he has given to this committee. I want to have other views and that is why I support Mr. Prudham's motion. I want someone either to confirm or to deny what Mr. Dixon says. I am from British Columbia and I want to know the facts before leaving this committee.

Mr. MORR: The motion, as it is presented, should be modified in some way or other. When you say you can call a witness, someone here may take a notion to call a witness from Great Britain and we may be here two or even three years. If the motion were limited to say within a reasonable distance or space it would be different, but it is a wide open motion, as I see it, and therefore, it could create quite a problem if we were to put it through in the form it was presented. It should be modified, in my opinion.

Mr. PRUDHAM: The Chairman would have discretion in calling the witnesses the way I put the motion—that is to say, the majority of the committee would, through the Chairman. Now, I still maintain, as I did yesterday at both sessions that if we are going to continue to hear evidence as to routes, which really does not have any bearing on the bill which is before the House, we as members of the committee have a right to request the calling of witnesses other than the witnesses presented by these two companies.

Now, one reason I have for making this motion is that Mr. Dixon yesterday, in certain testimony that he gave, made a statement which I have very good reason to believe is not according to facts as I know them, and I think I can present a witness who will prove that Mr. Dixon is misinformed. Now, that witness is not in England; that witness happens to be an employee of the federal government and he is an expert in that particular line. I think this committee should get at all the facts. If we are going to get some facts as to route, the committee is entitled to get all the facts and I maintain that if we are going to continue to hear evidence as to route that we should do that. I am no filibusterer; I hope that this company gets its charter. I am not working for a monopoly for any one company. I do not think any company should have

a monopoly, but if we are going to depart from the bill that is before the House and gather information we should get all the information that is available to us.

Mr. ROBINSON: Mr. Chairman, I cannot quite agree with Mr. Maybank that this discussion of route is a waste of time. At the same time, I cannot help but feel that it is largely academic in view of our existing laws. This question of route, I think we all agree, should properly go before the Board of Transport Commissioners. Mr. Green, on one or two occasions in the House, has mentioned that he had assurances from the sponsors of the bill in this committee in 1949 as to their intentions with regard to route. My understanding is that this particular company, after giving Mr. Green those assurances, filed that route with the Board of Transport Commissioners, but then later withdrew that application. That same company now has two other applications pending before the Board of Transport Commissioners. My feeling, Mr. Chairman—

Mr. GREEN: Mr. Chairman, on a point of order; I think that is quite wrong. An all Canadian route was the assurance we got from them in this committee.

Mr. ROBINSON: My understanding was that the exact route on which you obtained assurance was filed with the Board of Transport Commissioners and that was later withdrawn. They of course, have an application for an alternative route but not the same one mentioned to you.

Mr. GREEN: It would be an all Canadian route.

Mr. ROBINSON: Right. However, the point I am making is this: I think most of us are interested in an all Canadian route, where it is economically feasible. I think that this discussion is helpful to the extent that it would impress on the sponsors of any bill that members of parliament are interested in seeing all Canadian routes where they are economically feasible and in the interests of the Dominion of Canada. At the same time I do feel very strongly, Mr. Chairman, that under the Pipe Lines Act, and under existing law, it is to the Board of Transport Commissioners that representations regarding route must be made and that discussion along those lines here is, as I said before, largely academic and I do not think I can support Mr. Prudham's motion on that account.

The CHAIRMAN: I was wondering, gentlemen, whether a little more thought could be given to the motion by Mr. Prudham, and possibly bring it up at our next session. I think the way the motion is worded it leaves far too much to the Chairman, and, normally, I would not know what procedure to follow and who to call. Perhaps at a later session, say this afternoon or the next meeting, Mr. Prudham could be a little more definite as to whom he would expect to be called before us and say to the committee who they are.

Mr. PRUDHAM: Mr. Chairman, I could name two or three witnesses right now, if necessary, but I do not agree to postpone this motion because we are continuing to hear evidence in the meantime and the first thing you know the evidence will all be heard and somebody will then move that the committee disperse and it will be over. I think if it is going to be put, it has got to be put now.

Mr. HIGGINS: I would like to support Mr. Prudham's motion. I have come into this matter with a perfectly open mind—in fact, some members said with a vacant mind—but apart from that, in Mr. Connolly's remarks to the Senate Committee, he thought that the question of the parliamentary incorporation for this company, meant that the committee should go into the bona fides of the company. Now, if this question of route is to be considered we should have evidence on it because that little joker in the memorandum "economically feasible" may be the thing we have to look out for and I think Mr. Prudham's motion should be supported.

Mr. PEARKES: I am reasonably familiar with that territory, both in British Columbia and in the northwest states. I have been over a large portion of that country and I must say I am very doubtful whether that all red route as shown on the map is a practical route for a pipe line, speaking from my very limited knowledge. On the other hand, however, I do believe that the route which is frequently referred to as the Yellowhead route might be a practicable route on which to place a pipe line. Therefore I feel it is extremely difficult for this committee to make decisions as to whether it will authorize this bill which would give this particular company the right to transport gas from the province of Alberta to the Pacific coast even if they do say they will follow an all Canadian route, if economically practicable. My own impression at the present moment is if the route they have explored cannot be considered as economically practicable, I would like to know whether there are any other routes in Canada which can be considered economically practicable.

Mr. ADAMSON: It seems to me the whole crux of the matter this committee is to decide is a route. The principle of the bill has been approved and the route is the one question we have at issue, whether it is in the bill or not. The committee has to decide to give the company a charter, and its decision will be based largely on considerations dealing with routes. I feel that all the evidence with regard to routes should be given. I am inclined to agree with General Pearkes. From my knowledge of that country I do not believe an all Canadian route is possible or feasible, and I intend to ask a considerable number of questions about that when the time comes.

The CHAIRMAN: I want to correct Mr. Adamson in this: this committee has, strictly speaking, nothing to do with routes. I have allowed a lot of discussion on routes because it is certainly very important in the consideration of the whole matter, but it is not a reference to the committee as to which route shall be followed. The question for the committee to decide is whether to allow the company to incorporate. I think in view of the fact that wide open friendly discussion should be had on matters pertaining to the bill, I was continuing to allow, as Chairman, a discussion of routes, but we are not going to allow it to go on and on indefinitely. I just want to make that clear.

Mr. ADAMSON: My point, Mr. Chairman, was that there will be no objection to the bill whatsoever. The only objection is concerning the route.

Mr. JUTRAS: Mr. Chairman, it all comes back again—and I still hold the view I expressed yesterday—that we definitely are not asked here to decide a route or the alternative routes. On the other hand, I think it is helpful to verify information on the various routes. Now, I would be inclined to support the motion of Mr. Prudham if there is particular information he desires which would help him make up his mind, but on the other hand, there seems to be confusion—and there is in my mind—about the exact meaning of his motion; and I would respectfully suggest to the mover of the motion now before the committee to postpone that motion until a later time when we can look into this matter and make sure what it is. It is now left entirely in the hands of the Chairman, and on that point the Chairman himself is not clear; consequently it is pretty hard for members of the committee to be clear on it. It is entirely in a spirit of helpfulness that I would respectfully suggest that the motion be postponed.

Mr. BYRNE: May I ask Mr. Dixon a question, Mr. Chairman?

The CHAIRMAN: Has it a bearing on the motion?

Mr. BYRNE: Yes, about bringing evidence regarding a route.

With regard to the Yellowhead route, which has been mentioned on several occasions as being one possible route, would Mr. Dixon say that his company would be prepared to build a pipe line on the Yellowhead route if the Board of Transport Commissioners instructed him to do so.

Mr. DIXON: I already answered that and my answer is yes.

The CHAIRMAN: Let us confine ourselves to discussion of the motion.

Mr. PRUDHAM: I do not want to hold up the committee so I will withdraw only on the condition that I will be allowed to re-introduce my motion later today perhaps in a slightly better form.

The CHAIRMAN: I think that will be acceptable to the committee. We will then go on with the further examination of the witness, Mr. Dixon. We have all, I believe, received copies of these various routes, and perhaps we can go on further now.

Mr. DECORE: Mr. Dixon —

Mr. GREEN: May I ask whether Mr. Connolly is through with his direct examination of Mr. Dixon?

Mr. CONNOLLY: No, there are a few more things that I would like to ask.

Mr. GREEN: I wonder if Mr. Connolly could finish his direct examination?

The CHAIRMAN: The way it was left yesterday was that Mr. Connolly's evidence was to be suspended —

Mr. GREEN: No, no, I am referring to his examination of Mr. Dixon. I am asking whether his direct examination of Mr. Dixon is to be concluded.

The CHAIRMAN: I am sorry, I misunderstood you.

Mr. CONNOLLY: Mr. Decore had a question.

By Mr. Decore:

Q. I had a couple of questions. Yesterday you stated that in the construction of a pipe line through mountains there was much side hill cutting as you put it. Taking into account the amount of knowledge you have of the Yellowhead route, would you say that, in comparison with the Crow's Nest Pass route, there would be more or less of this side hill cutting? — A. Maybe not the greatest but one of the great problems would be in relation to Allison Pass which is the pass between Hope and Princeton.

Mr. JUTRAS: There is so much noise in the room that we cannot possibly hear.

The CHAIRMAN: Gentleman, may we have order, and perhaps you would raise your voice a little if you can.

The WITNESS: That would be the difficult part—and it is common to all of the all Canadian routes. That part of the line would have to be built even if you started at the Yellowhead Pass.

Mr. GREEN: Can you point it out on the map?

The WITNESS: You can see it on the little map—between Princeton and Hope.

Mr. HIGGINS: Which route do you refer to?

The WITNESS: All routes. The Yellowhead proposal as I heard the testimony in Calgary, comes from Kamloops down to here—

Mr. SMITH: Where is "here"?

The CHAIRMAN: Yes, where is "here"?

Mr. SMITH: At Princeton?

The WITNESS: Princeton. From there all pipe lines would have to follow more or less the same route. I can only speak from my own knowledge, in regard to going through the Yellowhead Pass itself, as to that part which begins near Mount Robson. There would be a long distance going up the canyon where you would have very bad side hill cutting. It is a narrow canyon and there is a road on one side of the canyon and the railroad on the other. Both of them would have to be dodged.

By Mr. Decore:

Q. With reference to the Crow's Nest Pass and the Yellowhead Pass, taking the whole route, would the problems be greater along the Yellowhead Pass than along the Crow's Nest route?—A. That is my judgment but there is one part of the Yellowhead route that I have only seen from the railroad and no one can make any real judgment from the railroad. I am considering that from here —which is Mount Robson, down to a point about 50 miles north of Kamloops, that they would have fairly easy going, but I just do not know that part of it.

Q. In other words you do not know enough about the Yellowhead route to give a definite opinion about that?—A. I know enough to say that I think it is certainly not any better and may be considerably worse.

Q. It may be worse?—A. Yes.

Mr. SMITH: That is because you do not know what the conditions are?

The WITNESS: I know enough to know that there is a great deal of hard going on the Yellowhead, but part of it may be much harder than I know about and it may be easier.

By Mr. Decore:

Q. Mr. Dixon, I put this question yesterday to Mr. Connolly with reference to page 6 of his memorandum. It is stated there: "They are also prepared to build along any route which, after full consideration of all the facts, may be deemed to be in the best interests of Canada as declared by the board."

Now you make reference to five routes. Does that mean you are prepared to build along any of the five routes or along any additional route that would be feasible?—A. That is correct. We would be willing to build on any route the Board of Transport Commissioners would direct. We have not made a study of all other routes because that would be a matter which would take years to do.

Q. Is it your intention to explore other routes or to get information on other routes?—A. I have already gone over other routes in a preliminary way and we selected these routes as being those which seemed to be best. As soon as I am free of hearings I am going up to take a look at some of the other routes.

Q. Based on your experience with regard to pipe line building would you say the route of a pipe line is conducive to the development of that area of the country through which the pipe line runs?—A. I would say that a pipe line going through a country has practically nothing to do with the development of the country. I have worked on thousands of miles of pipe line and—

The CHAIRMAN: Gentlemen, I think it was agreed that we would allow Mr. Connolly to question Mr. Dixon and then afterwards have our discussion in detail.

Mr. ADAMSON: Mr. Dixon was just saying something extremely interesting and I wish he would finish the sentence.

The CHAIRMAN: I have no objection to that.

Mr. ADAMSON: He was saying that there is no development of necessity in the country through which a pipe line is built.

The WITNESS: That is my experience. There have been many thousands of miles of pipe line built and I know of no case where the construction of those thousands of miles of pipe line has had much to do with the development of the country through which it passes.

There is a great amount of line coming out of Hugoton and the Panhandle of Texas going in all directions. Gas can go from there almost to New York and gas from there is now going to Los Angeles. Along all of those lines the gas serves industries. It serves industries that were in existence.

Of course there are exceptions to everything but as a general rule cheap gas has practically nothing to do with the development of an area. You can see that so plainly in the Panhandle of Texas, through the Permian basin in Texas and through the central part of Texas, where there are enormous quantities of gas which has been extremely cheap for generations. There are practically no industries excepting industries using butane and propane which are bi-products of the gas—they are used by industries that have come into the area.

It used to be that zinc smelting follows gas. Fuel is one of the great costs in zinc smelting and that would follow development of new fields, but now that most zinc is made by electronic processes it is no longer true.

You can take the case of Alberta where they have given away gas for a long time in some of the towns. They have some industries but not very many. I think the existing ones are due to the energy and enterprise of the people there rather than to the fact that they have cheap gas. In Turner Valley they have blown into the air enough gas to supply our proposed pipe line for twenty years.

Mr. MURRAY: Is it still going to waste in certain areas?

Mr. SMITH: Not in Turner Valley.

The WITNESS: There is quite a bit still going to waste in Alberta.

Mr. SMITH: In Turner Valley?

The WITNESS: Well, some in Turner Valley, and some in the north. I should say that you cannot use all the gas and some of it has to be blown into the air. It is impossible, where you are taking out oil and gas to utilize the last bit of the gas; it is just economically not possible.

If gas is influential in bringing industries why are there no industries in Turner Valley? It just does not seem to be the facts of the case. That was brought out at great length in the Dinning report.

Mr. HARKNESS: The Alberta industries which are based on gas are in Calgary. As a matter of fact we have had a considerable amount of industry come into Calgary because the gas was there. The most notable example is the nitrogen plant which would not be there at all if it were not for gas. That is one of our largest industries.

The WITNESS: That is perfectly true.

Mr. FERGUSON: Take two independent areas that have natural resources and, if a pipe line goes through one but does not go through the other where do you really think that people would go if they wanted to develop the natural resources? Would they go where they have the natural gas pipe line or do you think they might be inclined, even if they are energetic, to stay away from the natural gas? Where do you think they would go?

Mr. GOODE: Mr. Chairman, I was refused permission to ask questions and I do not think that the privilege should be given to other members of this committee.

The CHAIRMAN: I think you are correct, Mr. Goode, but Mr. Connolly apparently has felt that the evidence is coming out as he wants it to come and it is perhaps just a matter of a little tolerance.

Mr. CONNOLLY: I was going to bring out this testimony which Mr. Dixon is now giving anyway. Perhaps I might just finish this phase, and Mr. Goode's question could follow, and then we might go back to where we left off last night.

Mr. FERGUSON: I am asking this question in regard to the statement about the pipe line going through a certain area having no effect on the development of that area. Take two areas which are undeveloped but which have good natural resources. A pipe line goes through one of the areas. Where would industries go which were seeking to develop those resources?

The WITNESS: Other things being equal they would go to where the natural gas was.

Mr. FERGUSON: Thank you very much. But you did say it had no bearing.

The WITNESS: No, I said it had little bearing, but the other things must be equal.

There are very few industries in which fuel amounts to more than 3 or 4 per cent of the cost of the product. The general average is about 2 per cent. The cost of labour, the cost of transportation, the cost of raw material, and the cost of a whole series of things have so much more bearing than the cost of fuel, that fuel can only have an incidental effect except upon a few industries. The ceramic industry needs natural gas. It can work much better with natural gas at equal price with other fuel. For the smelting of copper, lead, and zinc, natural gas is very valuable. In the paper industry natural gas is a factor but other fuels are just about as good.

Mr. HIGGINS: Once the pipe lines are constructed—

The CHAIRMAN: Pardon me, Mr. Higgins, if we are going to have questions I think Mr. Goode has the floor.

Mr. GOODE: As long as I receive the same privilege as anyone else I am prepared to leave my questions until later.

Mr. HIGGINS: When the pipe line is constructed there would be very little cost for labour and maintenance on the pipe line?

The WITNESS: There is not a great deal but it depends where you are. If you are going through flat plains like there are in Alberta the cost of maintenance is very small. If you are going through swampy country like that in southern Louisiana, or if you are going through mountainous country with heavy snowfalls, the maintenance would be higher. It is not one of the largest factors in the cost of a pipe line but it is a factor. The largest cost of any pipe line, and which makes up the total cost of the ultimate project, is the capital cost of construction.

Mr. CONNOLY: Perhaps, Mr. Goode, I could ask questions on just a few points. Mr. Dixon, you might tell the committee something about the importance of accessibility to a pipe line in mountains, for example, for maintenance purposes, and why you have to have it accessible as distinct from the situation for an oil pipe line?

The WITNESS: If an oil pipe line breaks considerable oil is lost but they always have storage at the other end and there is no disaster. If a pipe line for gas breaks then you must shut down all of the appliances in the towns that are being served. For a little while the gas that is left in the mains will serve the towns but that is only for a matter of hours or, at the most, for a day or so. Then you must cut off the gas entirely and you cannot start the gas again through the mains and you cannot serve the towns, until you have gone to everybody and seen that their pilot lights are out, telling them over the radio and so on, and it is a matter of five or six days before you can get gas through again. If that happens in a cold climate it is a disaster,—and it is a tremendous inconvenience in any place. It happened in the town of Fort Worth not many years ago when they had a pipe line washed out in a flood.

By Mr. Higgins:

Q. You keep regular crew men?—A. You have to have quite a few men, more than are really necessary, at the compressor stations so that you have a unit to go out to the appliances. Then, along the route you must have crews stationed. They have very little to do but they must be there in order to take machinery out and start repairs.

Q. Is there any large number of men, usually?—A. Not a great number. You generally make arrangement with all the farmers and the people in the neighbourhood so that they are ready on call to come and help. That is one of the methods. You pay them a certain amount all the time.

By Mr. Prudham:

Q. Yesterday you made the statement that you would rather have a rough road than a hard surfaced highway adjacent to your pipe line. Would a railway parallelling a pipe line be of any advantage in servicing the line or in the construction of it?—A. It would be of some advantage. It would be a little advantage but you would have to get machinery on the cars and to bring it along—

Q. You spoke about the difficulty of taking caterpillar tractors over highways, but, if you had a railway nearby, would it not be cheaper and more convenient to ship any material in by rail rather than by caterpillar tractor?—A. It would be cheaper but you know how long it takes to do such things; you have got to get it on a train and off the train and in maintenance and things of that kind it is minutes that count. I am thinking here of maintenance.

Q. What about the construction? Would it not contribute to cheaper construction if there was rail service adjacent to the routes?—A. Absolutely; it helps in the cost of construction a great deal to have a railroad within easy access of the line. That is unquestionably true.

Mr. HIGGINS: For maintenance you retain the farmers on a yearly basis?

The WITNESS: Yes, you try to make friends of the neighbourhood and try to get them working for you. It is easier in a populated district than in an unpopulated district where you must retain a higher number of regular men.

By Mr. Mott:

Q. Before I start may I say that I do not think that people should keep throwing shots across the table. I think we should stand up and ask the chair if we can speak or ask a question. You people up there are going back and forth in arguments all day long.

First of all, I think there were many requests yesterday in regard to maps being presented to us and I would like to have placed on record our appreciation to Mr. Dixon and his associates for what they have done, in supplying us with a clear picture of what we are to talk about. I think it is going to stop a whole lot of arguments and questions that might otherwise have come up. I am going to ask two questions.

Is there any source of gas in the United States which might supply the American and the Canadian northwest, that you know of?—A. Yes. As I told you yesterday my first work on this project concerned the thought of bringing gas from Hugoton in Kansas across Wyoming and to Portland. In Wyoming there are many gas fields.

Q. Have they found any gas in Idaho or Wyoming?—A. There is a great deal of gas in Wyoming.

Q. Is it true that they have constructed or intend to construct a five inch line from Wyoming to the Hanford atomic plant?—A. No, there is no line from Wyoming to the atomic plant.

Q. At the present time?—A. No.

Q. If such a supply of gas is found or developed what effect would it have on the market as far as the possibility of Alberta gas serving those areas is concerned?—A. If gas were brought from Wyoming it would naturally come down the Columbia river first and strike Portland and then turn north to Seattle and Vancouver. Under those circumstances it would be practically certain that Alberta would lose its market entirely on the Pacific coast until

things developed to a much greater extent than they are now. It might be if gas was not in abundant supply, and I do not think it is as abundant as it is in Alberta, that all of the towns there would have rather skimpy and high priced gas; but there is a threat at any time of fields coming in in Wyoming, a real threat. This conversation would all be academic then because someone else would have the gas and those towns would be supplied.

By Mr. Goode:

Q. I am interested in what you said about the supply of gas not bringing industry into its path. I think we appreciate a good deal of the information you have at your fingertips and I would therefore ask the laid down cost of gas, in Vancouver, as compared to coal? I am trying to develop your theory that the pipe line will not bring in industry.—A. I think we expect the cost of gas to be less than the cost of coal in Vancouver.

Q. Can you tell the committee the ratio?—A. Approximately just slightly above—coal is just a slight amount above gas.

Q. In relation to calling coal 100 per cent what do you think the cost of gas would be to industries in Vancouver?—A. I do not know right now. I cannot remember the exact cost of coal—it has slipped my mind—perhaps you can tell me the cost of coal in Vancouver?

Q. The cost of coal?—A. Yes.

Q. Let us take the cost at \$15 a ton—it does not really matter.

Mr. GREEN: It is more than that.

Mr. GOODE: You may buy better coal than I can afford, but take it as \$15 a ton.

The WITNESS: It will take 20,000 cubic feet of gas or maybe 22,000 to supply the amount of heat that one ton of coal will supply. It varies between 18,000 cubic feet and say 25,000 cubic feet.

By Mr. Smith:

Q. It all depends upon the b.t.u's. in the coal?—A. Yes, the quality of coal and the use to which it is being put. The cost of gas there, delivered to the city gate and to the large industries is to be, as near as we can calculate it, between 34 and 36 cents; somewhere in that neighbourhood. I will have to do some arithmetic to figure it out.

Q. Is not that only the cost of transportation, without paying anything for the gas?—A. Transporting it, and the cost of the gas, according to the contract we have made with producers.

Mr. ADAMSON: Per 1,000 cubic feet?

By Mr. Goode:

Q. Can you give me the same figures for the cost of electricity as compared with gas?—A. If you were using electricity to generate heat? Any gas, at even twice the price of artificial gas, would be cheaper than electricity. There is no direct competition in the heating values as between the electric current and almost any fuel. Electric consumption is so much more expensive.

Q. In dollar costs?—A. In dollar costs.

Mr. CONNOLLY: I want to come to the matter Mr. Adamson was raising at adjournment last night. There are two or three points to be cleared up, however, before we get there.

Mr. ADAMSON: You are speaking now of markets?

Mr. CONNOLLY: Yes.

By Mr. Connolly:

Q. You did say something about the development of propane, butane, and methane in connection with industry in Alberta. Would you care to elaborate somewhat on the development those products would bring? Would they have any effect on industry in Alberta?—A. Butane and propane are the light constituents of gas. They are liquid at either low temperatures or very high pressures. They are the bottled gases. Those liquids must be taken out of natural gas, whether you have a market for them or not, because you cannot, in a cold climate, put gas through a line with those liquids in it. In parts of Texas and a great many areas of Louisiana those constituents have brought big industries. They are of use in the making of butadine and the other constituents required in the making of artificial rubber. There is a whole series of chemistry based on these liquid hydrocarbons. When they speak of using gas chemically, except in the case of making ammonia, it is the liquid hydrocarbons themselves, bi-products of the gas, which are used. Therefore, if you have gas coming out of a district the liquid hydrocarbons are there and they are either for sale or they must be burned if there is no market. But they have brought big industries to certain districts. It is much easier to make nearly all chemical products out of liquid hydrocarbons than out of methane which is natural gas. That is a very important thing in many areas and the expectations are that there will be a very large quantity of this butane and propane in the case of Alberta, and it should bring industry there to utilize that bi-product.

Mr. MURRAY: You can use those for heat and lighting?

The WITNESS: You can use them for heating and lighting in areas which you cannot reach with the pipe line; that is for heating and lighting of isolated houses.

By Mr. Connolly:

Q. Mr. Dixon, in connection with this matter of the direction and the place where the route will be, the territory through which it is routed, had you taken into account the density of population along the route? You said something about that a little earlier. Perhaps you could elaborate on it with particular reference, perhaps, to past experience that you have had in building these other six pipe lines in the United States?—A. Always, in building a line, it is very natural that you touch as large a population or as large industrial areas or even single plants as you can. That is where you sell the gas. You cannot build a line relying on what might happen. You have to have your market there before you can build the line, otherwise no one will finance it. The returns are small and you cannot take the risk and have the line there eating its head off in interest and in depreciation without a market.

The CHAIRMAN: Order, gentlemen, please.

The WITNESS: (continuing) This projected line will go through Trail, where there is already a wonderful market for gas.

Mr. SMITH: What do you figure, three billion there?

The WITNESS: The figures given to us by officials from the Consolidated Mining and Smelting Company are to the effect that there will be three billion a year as a minimum and 5.3 billion a year that they say is possible depending, as I said yesterday, on some developments that are going on there now, whether they can use the gas satisfactorily.

By Mr. Connolly:

Q. What about markets in Alberta?

The WITNESS: We plan a grid system and I think anybody else building a grid system has to do the same thing, namely to serve all industries or

anybody where it can be reached from the line. We also expect to serve the Calgary system when their gas supply begins to decline.

Mr. SMITH: It has already begun to decline to a dangerous point now, has it not?

The WITNESS: According to their information, received from them direct, next year, on their peak day, they will lack ability to supply fifteen million cubic feet of gas. That is, their market will exceed on their peak day the available supply by fifteen million cubic feet, and that amount will increase as time goes on.

By Mr. Higgins:

Q. How many people per mile do you require to make it economically feasible to build a pipe line?—A. You mean along a line?

Q. A branch line, for instance.—A. That depends.

Q. Is there some standard such as the electric companies use? I mean the number of people that you require before you will put an addition of your pipe line or a branch?—A. Ordinarily, if a town is not more than a mile or two away from the line you need somewhere around one thousand people in a community to serve them.

Mr. MURRAY: A thousand houses?

The WITNESS: A thousand people.

Mr. HIGGINS: Do you mean a thousand people per mile to build a branch?

The WITNESS: It depends on so many things.

Mr. GREEN: You said a thousand people in a community.

The WITNESS: I said about one thousand people in a community is the thing that makes it economically feasible. There are certain overhead expenses and other expenses that have to be met, no matter how many people there are in the community. When you start to maintain an office and have a pickup truck and employ someone to look after things, if there are less than two hundred customers, it just does not pay. Very often in those conditions they form a cooperative and bring the gas in and distribute it themselves in some very small communities. We do not, however, plan at all to sell gas at retail. We will sell gas anywhere along the line to anyone who wants to take it and build a line where it looks like we should get our money out of it.

Mr. CONNOLLY: What proportion of the population of British Columbia do you think might be served by one of the routes which you plan?

The WITNESS: Any one of them, all of the routes will serve more or less the same number of people in British Columbia. It will be about sixty per cent of the people of British Columbia who would be served by our line.

Mr. SMITH: What proportion is Vancouver to the total population?

The WITNESS: I think including the environs of Vancouver it would be about half. I have the number.

Mr. SMITH: That is good enough.

Mr. HIGGINS: From your present plans, Mr. Dixon, does it appear to be economically possible to serve the Peace River area from the present plan of location of your pipe line?

The WITNESS: No, there is some gas in the Peace River area now and the Peace River area, if anything, will be an exporting area. There is plenty of gas there now to serve their needs and many times more.

Mr. MURRAY: Might I ask if the Peace River pass might not be a possible route down to the Fraser River?

The WITNESS: The Fraser River is one place I can say is utterly and completely impossible. I think everyone will agree with me on that, that you cannot bring a gas pipe line down the Fraser River.

Mr. GREEN: That is, the lower Fraser?

The WITNESS: Through the canyon part of the Fraser River.

By Mr. Murray:

Q. I am thinking of the upper Fraser from Mount Robson down through the Caribou country?—A. I think that is fairly easy going. I have not been there but I have talked to people who have. Then when you get to the head of the canyon you are stuck.

Q. Not necessarily. The route of the Pacific Great Eastern Railway to Squamish would offer a possible route.—A. That would be too expensive. The cost of that would be fabulous from what I have heard of the terrain there.

Mr. SMITH: How would you get from Squamish into Vancouver?

By Mr. Connolly:

Q. You have made some population studies in connection with your market survey. Would you like to say something about the market surveys you have made?—A. I do not think I have the figures on population. I have not got the figures here immediately available on the total population that will be served excepting—

Q. Can you give a general review of what the market possibilities are for those lines?—A. Well, first, in the British Columbit area, outside of the area that would be served around Vancouver, New Westminster, and that general metropolitan area, in British Columbia we would serve thirty-two thousand people.

Mr. SMITH: Thirty-two thousand services?

The WITNESS: No, thirty-two thousand people. The chief population is in Trail, Rossland, Cranbrook, Kimberley.

Mr. HERRIDGE: Have you considered Nelson at all?

The WITNESS: Nelson, yes, that is part of the general area; it would serve all that general area around Trail and Kimberley.

Mr. JONES: Is that on the all-Canadian route?

The WITNESS: We hope to get a profit up there but we have not developed that yet; I do not know whether it is possible or not; they are scattered along quite an area and whether or not we can serve them, I do not know.

Mr. JONES: Mr. Chairman, I understand that not only one pipe line will be eventually built to the coast. At the present time we have granted a charter to one and one is applying and soon we will have three gathering gas in Alberta in the same area and delivering to the same customers on the coast. I understand that it is not economically sound to have three pipe lines. Each company is going to serve the coast, but on what basis? Is it on the basis of cheapness which results from the location of the route to be followed or on what basis is it? Can we find out which? I do not know whether you can answer that question or not.

The CHAIRMAN: I think that is hardly a fair question to ask Mr. Dixon; he is not in a position to reply for possible competitors. What do you think, Mr. Dixon?

The WITNESS: Well, I can give some figures that might be helpful, excepting for the areas that are around Vancouver which a pipe line would serve. As near as we can figure the projected line of ours would serve around thirty-two thousand customers in British Columbia, and the Yellowhead route would

serve fourteen thousand to fifteen thousand, the big difference being that there is a very great deal more population in Cranbrook, Nelson, Kimberley and that area than there is further north.

MR. GREEN: But they are going into the Okanagan and into Trail.

THE WITNESS: They do not show that in their plans.

By Mr. Jones:

Q. You have branches on your plan here.—A. We have been considering it. There are several branches that might be considered but in planning the general project we have not considered some of the small branches.

Q. Is it unfair to ask the question. You said, two other pipe lines are going to be eliminated on the grounds of route or how?—A. I do not know. That will be up to the Board of Transport Commissioners.

Q. Am I correct in stating that the Board of Transport Commissioners will possibly grant the three charters?

MR. GOODE: On a point of order, Mr. Chairman, the witness is being asked to anticipate a verdict of the Board of Transport Commissioners. I do not think the question is fair.

THE CHAIRMAN: I quite agree. You may proceed.

Q. Are there any other comments you wish to make in connection with market surveys?

MR. GREEN: A little louder, Mr. Connolly, please. We cannot hear you.

By Mr. Connolly:

Q. I was just asking; Are there any other comments you wish to make in connection with market surveys?

MR. MURRAY: Might I ask,—

THE CHAIRMAN: Will you postpone any further questions until we clear up Mr. Connolly's examination, and then we will proceed in an orderly way.

THE WITNESS: Just to give the proportion of the gas which will be sold in British Columbia, and in the United States. In British Columbia, according to our estimates, which are based upon the estimates given to us by the British Columbia Electric Company, all British Columbia will take approximately $11\frac{1}{2}$ billion cubic feet of gas per year on the low estimate of the Consolidated Mining and Smelting Company. That would be increased by 2·3 billion if their larger estimate should become effective. There will be sold in the United States approximately $63\frac{1}{2}$ billion making altogether approximately 75 billion per year or 205 million cubic feet per day. This gives an average daily consumption in Canada of about 32 million and an average daily in the United States of 173 million to put it on a daily basis.

The question was asked, I think, was on what the peak load would be based. The peak would be on the capacity of our line as presently contemplated. As it leaves the Pincher Creek area we will be taking 205 million cubic feet a day.

By Mr. Connolly:

Q. Yesterday I was asked about the fabrication of pipes. I understand you have had some discussions with the Dominion Bridge Company on that subject?—A. Yes, I have had many discussions?

Q. And I understand there has been a letter written to you with reference to those discussions?—A. There has.

Q. Now, I have that letter here. Would you care to read it or would you have me read it, at the same time filing a copy?—A. That would be quite all right.

Q. The letter reads:

Mr. A. Faison Dixon,
Northwest Natural Gas Co. Ltd.,
111, Broadway,
New York City, N.Y.

Dear Mr. Faison Dixon,

Referring to our various discussions, we should like to confirm that we are interested in the manufacture of large diameter line pipe to A.P.I. specification for high test line pipe 5LX for cross country gas transportation system.* We propose to fabricate by methods similar to those employed in the U.S.A. (and based on attached operation manual) using the submerged arc welding process and expanding the material so that when the pipe is finished, the steel will have a minimum yield point of 52,000 psi.

You requested us to give you an indication of price, and we believe that this will be in the neighbourhood of \$185-\$195 per net ton f.o.b. cars or trucks, Calgary. The price is exclusive of sales taxes and is based on plate being supplied by Canadian mills. It is further based on our understanding that the Canadian portion of the Alberta Natural Gas Company line would require approximately 400 miles of pipe of 20" diameter or over.

Yours very truly,

DOMINION BRIDGE COMPANY, LIMITED.

J. S. WALSH,
Sales Development Manager,
Eastern Division.

* or ASA code for pressure piping B31.1, section 2, Division 2 for cross country gas transportation systems.

JSW/EB
Encl.

Would you care to elaborate on that letter, Mr. Dixon?—A. I have had many conversations over a year with Mr. Walsh of Dominion Bridge and this is a sort of end product of those conversations.

Mr. SMITH: There are many of those abbreviations in that letter that I do not understand.

The WITNESS: All I can say is I am no authority on steel but the American Petroleum Institute gives certain specifications and the pipe fabricating company has to meet them, and you hire an inspector who is familiar with those details to watch the pipe as it comes out of the mills to see that it meets the specifications. They are considering a plant in Calgary and that is where they possibly will build this plant. These prices are fairly competitive with American prices delivered at the same points.

Mr. MURRAY: How many men would that plant employ?

The WITNESS: I have no idea. It is a big operation.

By Mr. Connolly:

Q. You have also had discussions—

By Mr. Smith:

Q. They mention the price in there of \$185 per ton for your steel. Is that the basis of your figures of cost you gave us yesterday?—A. Yes.

Q. You had it at \$140 a few months ago.—A. The prices have gone up since then.

By Mr. Herridge:

Q. The 400 miles of pipe mentioned in there is the length of the pipe proposed to be laid in Canada?—A. Yes.

Q. That would indicate that the pipe would leave Canada at Kingsgate then?—A. We could guarantee them that much by assuming it going in at Kingsgate, but then there is considerable pipe on the other end of the line going forty miles or so into Vancouver.

Mr. CONNOLLY: This is the minimum which you could ask them to quote on at the moment without being authorized to build your route?

The WITNESS: Yes.

Mr. SMITH: It is based on crossing at Kingsgate is it not?

The WITNESS: Yes, that is the minimum.

Mr. GREEN: The rest would be bought in the United States?

The WITNESS: I do not know if we went in the other direction all the way in Canada where the Dominion Bridge would build a mill, but I think it would still be in Calgary.

By Mr. Connolly:

Q. They would be prepared to supply the pipe if you were authorized to build an all Canadian route?—A. Yes.

Q. In other words, you were dealing here with him on a minimum basis as a start?—A. That is the idea.

Mr. SMITH: On the basis of minimum miles in Canada.

Mr. CONNOLLY: Yes.

By Mr. Ferguson:

Q. If it was an all Canadian route would Mr. Dixon say if they would supply all the pipe for the Canadian route in Canada?—A. That has been our intention all the time.

Q. If it was an all Canadian route, instead of 400 miles it would be how much pipe?

Mr. KIMBERLEY: It is on the map. It would be 1,011 miles indicated by route "A".

The CHAIRMAN: Please proceed, Mr. Connolly.

The WITNESS: I think under the ordinary conditions we would buy the pipe in Canada but I would think to get it done in any reasonable time, I do not know whether they could furnish the steel from Canadian sources; it might be that it would be much cheaper to bring the steel up from San Francisco or even from Australia. It might be a great deal more economical to use, in Canada, steel from outside sources.

Mr. ADAMSON: Did you say even from Australia?

The WITNESS: Yes. We have been negotiating on that.

Mr. MURRAY: Or you could buy it from Great Britain?

The WITNESS: The freight rates almost seem to preclude that. You can get it from Australia cheaper than from Great Britain.

Mr. GOODE: Did I understand you to say that the Dominion Bridge Company would build a plant in Calgary for fabricating pipe for this particular job?

The WITNESS: Of course, they would have to have the prospect of additional pipe orders; they could not build it otherwise, but with this as a leg-up they will go ahead and do it.

Mr. SMITH: They make smaller sizes of pipe too?

The WITNESS: No.

By Mr. Connolly:

Q. What do you expect to do about the smaller sizes?—A. We expect to buy that in Ontario.

Q. Have you had any discussions with firms on that?—A. Yes.

Q. Would you say who?—A. The Page Hersey Tubes in Welland.

Mr. GOODE: May I ask a question, Mr. Chairman: the suggestion was made in the House of Commons that certain men would take plate, steel plate and bend it when it came to where it was going to be laid? In fact a very influential member who took part in the discussion, I will not say filibuster, because Mr. Green does not like that,—

Mr. GREEN: I do not mind,—

Mr. GOODE: You are protecting yourself but not the party I am talking about. This member, who is the member for Kamloops, made the suggestion in the House that pipe could be manufactured on the job. That is, they could get plate steel and bend it when it arrived on location. What do you think of that, Mr. Dixon?

The WITNESS: I have heard it talked of a great deal but I have never seen it done.

Mr. SMITH: Obviously impossible, is it not?

The WITNESS: No, I would not say that, it might possibly work. I have heard people who think they can do it and to hear them talk it sounds possible.

Mr. GOODE: Have you ever seen it done?

The WITNESS: No, and I have never heard of it being tried.

By Mr. Connolly:

Q. Would you care to say something about the proposal for financing this project? First of all what about the initial expenses which have and will be incurred before the project is definitely set up, as a project to be developed?—A. Well, all the expenses up to now, or up to the time public financing takes place have been borne by a private group, and no stock has been sold to the public at all.

Q. Is that private group American or Canadian?—A. Both.

Q. When the project is developed I understand you mean to go to the public for your financing, for your money?—A. Naturally.

Q. Now, will the offer be made to the public both in Canada and the United States?—A. Yes, we expect to sell as many of our securities as we can in Canada. The sale of securities is under the Foreign Exchange Control Board and we will be guided, to put it mildly, by what they say.

By Mr. Ferguson:

Q. Might I ask, if dividends are paid, will they be paid in American or Canadian funds?—A. That would be up to the Foreign Exchange Control Board.

Q. Well, a lot of Canadian securities are sold with guaranteed payment of interest or dividends in American funds. The reason I ask that question is that I want to refer it to a question I asked yesterday, to which you replied that you were permitted to receive seven per cent interest on your cost of operations and capital investment? Is that right?—A. Well, that is what I hoped, but they change those interest returns that you can earn at the discretion of the commission.

Q. May I go a little further: that power that you will have as the carrying power is granted by the federal government, not a provincial government, due to your interstate or intraprovincial operation, is that right?—A. That is right.

Q. And the amount that the commission allows you to earn and determines what you can receive or charge is arrived at from your capital investment and your cost of operation. That is not settled by the provincial government but will be settled by the federal government?—A. I do not know.

Q. The fact that you are permitted to earn seven per cent in Canada—where do you get that figure?

Mr. GOODE: He did not say that.

The WITNESS: I said that the earnings that had been allowed in Alberta were set as seven per cent, that is what had been done, but I have been informed that in all cases it is in the discretion of the commission to let the company in Alberta earn what they think is proper.

Mr. Ferguson:

Now, Mr. Connolly, maybe you could answer this question. Do you know if the provincial government has any say there?

Mr. GOODE: On a point of order, Mr. Chairman, we would not give permission to question two witnesses yesterday, how is it being done today?

The CHAIRMAN: Order.

Mr. GOODE: On a point of order, Mr. Chairman, we did not allow that privilege yesterday.

The CHAIRMAN: Mr. Ferguson, we outlined a procedure, and I think it is only fair that we stick to it. You will have the privilege of examining the witness and he has been good enough to postpone his examination. I do not think you should go on at this point. You can have an opportunity later.

Mr. SMITH: Mr. Chairman, I have been guilty of breaching the rule and I agree we will never get anywhere if we are all allowed to intervene and I would suggest, sir, that you pick me up on that the very first time I attempt to break that ruling and sit on me and sit on everyone else until Mr. Connolly has ended his examination.

The CHAIRMAN: I think from now on we should finish the questions and examination of Mr. Connolly.

By Mr. Connolly:

Q. Mr. Dixon, first of all, in connection with the financing, your group has had discussions with certain Canadian financial houses?—A. Yes.

Q. I do not want to clutter up the record with a lot of things but I have here a letter from A. E. Ames and Company, written from Toronto in April of this year. Would you care to have me read that for the record?—A. Yes.

Q. It is written to Mr. Dixon and dated April 19, 1950, and it reads:

A. Faison Dixon, Esq.,
President,
Northwest Natural Gas Co.,
111 Broadway,
New York City.

Dear Mr. Dixon:

As you know, we have had many discussions, extending over almost a year, regarding your proposed pipe line to carry gas from the gas fields of Alberta to the Pacific coast. We are familiar with the outline of your plan, and, although we realize that at this time the details of any financing plan cannot be definitely arrived at, we agree with you that, as part of

the cost of such a pipe line would entail expenditures in both United States and Canadian dollars, it should be financed partly in the United States and partly in Canada.

We feel strongly that, in the development of such important natural resources of Canada, Canadian investors should have an opportunity to share broadly in the distribution of both the senior and equity securities of the company. We are glad that you concur with us in this opinion.

We are pleased to advise you that if and when you secure the necessary authorizations from the various governmental bodies concerned and have arrived at a plan satisfactory to Messrs. Morgan, Stanley & Co. and ourselves for financing your project, we shall co-operate with them in taking the proper steps to raise the necessary funds.

Yours very truly,

A. E. AMES & CO. Limited.

(sgd) C. G. FULLERTON.

C. G. Fullerton: MRM.

There have been some discussions with other Canadian financial houses, Richardson, Tanner, Greenshields and others?—A. Yes, sir.

Q. And you have made similar arrangements with them?—A. Yes, sir.

Q. Now, would you tell the committee what you have in mind with reference to the financing of the type of securities?—A. Well, at the present time, a company being financed such as this would probably put out something in the neighbourhood of 75 per cent of the securities—or get 75 per cent of the money shall I put it that way,—in mortgage bonds; some of which might be sold to the insurance companies. The other 25 per cent would be divided in the equity type of security. Part of it would be either in convertible debentures or preferred stock and the rest of it would be in common stock. Just the proportion of the debentures, preferred stock, common stock, and bank loans, depends upon the circumstances of the moment, and, I think, upon the Foreign Exchange Control Board. I think to a great extent the Foreign Exchange Control Board will have a word to say as to how you get funds either from the States or how funds shall be brought into Canada; whether they want to have the funds raised in the States to help out somewhat, or just what they want to do, I do not know. They will be able to determine just exactly what they do.

Q. You have a firm undertaking from Messrs. Morgan Stanley and Company with reference to this procedure?—A. Yes, not only with them; but they are very active in working with us and they have been ever since they joined us.

Mr. ROONEY: Who are the auditors?

The CHAIRMAN: I am sorry, Mr. Rooney, but we are going to follow the agreed procedure. However, Mr. Connolly has said he is finished with his questions and I believe that now Mr. Green would like to ask questions of the witness. Mr. Green has been very patient so far and I hope that he will be very brief.

Mr. McCULLOCH: That will be impossible.

By Mr. Green:

Q. Mr. Dixon, in your bill you are asking for the power to transport oil as well as gas, are you not?—A. That is in the bill, yes.

Q. Is it a fact that the oil would go by the same route, or have you some other route in mind for the oil?—A. We have nothing in mind right now in regard to oil.

Q. Now, if you were to transport oil would you transport it by the same route?—A. That would be impossible to say; it might be and it might not. We have no plans on the subject and do not know where we will get oil; we do not have any plans whatever.

Q. Of course you have neither oil nor gas?—A. Well we have contracts for gas.

Q. But you have not any gas that you have developed yourself?—A. No, and we do not expect to have.

Q. Can oil be piped by a gas line?—A. No, unless it ceases to be a gas line—you have to change it in many respects.

Q. You know, Mr. Dixon, that in the Senate last fall you were asked:

“Now the type of construction you have in mind, Mr. Dixon, would allow this pipe line to be converted to an oil line?”

And your answer was:

“Any gas line can be converted to an oil line by putting in pumping stations in place of compressor stations.”

A. That is true but you cannot use it at the same time for both. It has to be changed.

Q. Once you have this pipe line installed it can be switched over to oil?—A. It would take probably a year to do it.

Q. But it could be done?—A. Oh yes, it could be done.

Q. And you agree, as I understand it, that there will only be one line, in the practical working out of this problem, from Alberta to the Pacific coast, because there is only a market on the Pacific coast for the products of one line?—A. As of the moment that is true.

Q. No possibility?—A. No, I did not say that; I say, as of the moment.

Q. And once a pipe line such as that contemplated is installed, how long will that pipe line be of use?—A. As long as there is gas to supply it and market facilities.

Q. How long would the pipe line of itself be of use?—A. I know of pipe lines over 50 years old and still in good condition.

Q. I understand that you have given evidence somewhere else to the effect that once this pipe line is installed it is good for one hundred years?—A. I think that is more or less true. It is like a railroad is good. You keep repairing it; if any part of it is in an area that is rusty well you repair that part. In the course of time you may not have much of the original steel but the pipe line is still going.

Q. We are then considering a problem which is going to affect several generations, are we not? This is a long range proposition?—A. Certainly you cannot build a pipe line unless you feel secure for at least twenty years.

Q. Now, Mr. Dixon, so far you have made no attempt to compare your route through the Crow's Nest Pass with a route through the Yellowhead Pass, is not that right?—A. No, I cannot say that, as I have taken a look at the Yellowhead. But in considering the possibilities of the Yellowhead Pass we did not make a careful study of it such as we have done in the case of the Crow's Nest Pass.

Q. Your study was of the Crow's Nest Pass and any consideration given to the Yellowhead Pass was merely incidental?—A. That was as to the elimination of that route at first, as the other area seemed better to concentrate our efforts on. We would have to spend at least \$25,000 before we would be in position to compare the Crow's Nest Pass with Yellowhead.

Q. You have spent \$350,000 to date on your investigation but you have not felt that it was worth while to spend \$25,000 to make this investigation of Yellowhead?—A. That is correct.

Q. And you are perfectly free to select the Yellowhead Pass route and to build through there if you wish, are you not.

An Hon. MEMBER: No, no.

The WITNESS: I wish that were true.

By Mr. Green:

Q. Nobody is placing any restrictions on your building your pipe line through the Yellowhead Pass route?—A. No.

Q. And there is a railway over that route for practically the whole length of it—the Canadian National main line.—A. That is contrary to the testimony as given, which is all I can say. The contemplated line was twenty miles away from the railroad, according to the testimony given in Alberta but I am not certain—

Q. Any pipe line through the Yellowhead Pass route would be within very easy reach of the Canadian National main line?—A. I do not know where they are contemplating putting the line or where I would put the line if I was up there—after it passes south of Mount Robson.

Q. The position is this, is it not? You want to get your gas out of southern Alberta from Pineher Creek? That is where your attention is focused?—A. Not necessarily, we want to get the gas where we think we can get it cheapest and in the largest volume.

Q. Well your interests are in the southern Alberta area?—A. We think there is a better chance of getting large volumes of gas in southern Alberta than there is in northern Alberta.

Q. And you said yesterday there was far more gas in southern Alberta than there was north of Calgary?—A. North of where?

Q. Than there was in northern Alberta?—A. I think that is certainly my opinion.

Mr. SMITH: Did you mean north of Calgary, Mr. Green?

Mr. GREEN: I changed that to northern Alberta.

Mr. SMITH: Well, did you mean that?

Mr. GREEN: I mean what I said.

The CHAIRMAN: Get together you fellows.

Mr. GREEN: We will have to leave Mr. Smith pick up the mistakes I make.

Mr. SMITH: I will certainly pick that one up.

By Mr. Green:

Q. Will you point out the areas on the map again? Where in relation to Edmonton is the Yellowhead Pass?—A. Edmonton is here.

Q. Yes?—A. The Yellowhead is this region right here: from Jasper, I suppose you would call it, to Mount Robson.

Q. Will you trace the main line of the Canadian National Railways south from there?—A. It follows this route here.

Q. To Kamloops?—A. Yes.

Q. Now, Mr. Dixon, I would like to get your opinion about the Peace River district. You have said that you are an expert on gas and oil matters and I am not questioning that. By way of explaining my question, let me point out that in British Columbia the only area of the province in which there is oil and gas bearing land is in the Peace River district. As you know the Rocky mountains run off across northern British Columbia.—A. I would not agree with your statement.

Q. That is a generally held belief?—A. The Royalite Oil Company is drilling a well on the Queen Charlotte Islands and they certainly would not agree with you.

Q. I beg your pardon?—A. I say that the Royalite Oil Company is drilling a well up in the Queen Charlotte Islands and I certainly believe that they at least would not agree with you.

Q. I certainly will be happy if they do get oil there but the only place that there are extensive explorations for oil and gas in British Columbia is in the Peace River district, is it not?—A. I do not know that—there is no well being drilled there.

Q. You do not know whether there are any wells being drilled there?—
A. No.

Q. Can you point to the Peace River district on the map?—A. There.

Q. That is for British Columbia and Alberta?—A. Yes.

Q. Where would it be in Alberta?—A. That would be here—this part here (indicating).

Q. Do you not think that what is to happen to the oil and gas in that Peace River district of British Columbia is very important to the development of western Canada?—A. I think it is very important but they have not found enough gas and oil up there to be of any importance as yet; but it is a large area that is prospective.

Q. It is being very heavily prospected at the moment?—A. No, I should disagree with you.

Q. Mr. Dixon, you were asked about the Peace River district before the Senate committee last year and the question was: "What have you to say with regard to northern British Columbia, the Peace River area in British Columbia?" And your answer was: "I think that is clearly academic. Practically speaking no gas has ever been discovered with the exception of one very small well in British Columbia, so that is purely academic." Now do you stand by that answer?—A. No, there have been six wells drilled since then in British Columbia, one of which was a good well.

Q. Then you were asked: "Have you given consideration to the gas production in the Peace River area of Alberta?" And your answer was: "The Peace River area has, practically speaking, no gas at all."—A. That is still correct.

Q. You stand by that?—A. No, I would like to correct that. There is no gas as yet discovered, but I am firmly of the opinion that in the course of time there will be oil and gas discovered in the Peace River district.

Q. You believe that in the course of time there will be oil and gas discovered in the Peace River? Then you were asked whether your line was designed to service that area and your answer was: "Not necessarily; we could build a line. If there is gas found there we are in a very good position to get it."

Now what plans have you for getting gas and oil out of the Peace River district of Alberta and British Columbia?—A. We have a line projected to extend north of Edmonton. We have no plans at present to build any line up into this district as we do not believe that it would be economical to do so. The gas would cost a lot.

Mr. SMITH: "This district" means Peace River?

By Mr. Green:

Q. You mean the Peace River district? So in effect your plans completely ignore the Peace River district?—A. I cannot say they ignore it but we have no line up into that general neighbourhood—not in the general neighbourhood but as far as any projected line—

Q. How many hundreds of miles is it from that line you have got a few miles north of Edmonton, to the Peace River district?—A. It is about three hundred.

Q. It is more than that?—A. No, it is about three hundred.

Q. I see. And you have given no consideration whatever to getting oil or gas out of the Peace River district into British Columbia?—A. Yes, I have thought a lot about it.

Q. How are you going to do it?—A. The only possible way to do it is to forget about bringing it south where you would have so many huge mountains to cross. But, if gas is developed here in the Peace River area around we will say St. John, which is not very far from the Pouce Coupe where there is a little gas, the nearest possible market for that would be Prince Rupert, where there seems to be a possible large demand which would be of course necessary. The route would be through terrain which is not impossible. It would depend upon the development which we all hope may take place in Prince George and back up through to Prince Rupert where the great mills for aluminum and making cellophane are suggested.

Q. Then, the proper outlet from the Peace River would be through one of the passes in the Rockies into the city of Prince George?—A. Through to Prince George, depending of course on the market. You have of course no market at all for a pipe line but I have heard that they intend to construct an aluminum plant in the general neighbourhood between Prince George and Prince Rupert and also a large cellophane plant considerably west of Prince George. I do not think there is any big industry contemplated in the immediate vicinity of Prince George but you hear all manner of rumours and, of course, I am not familiar with constantly changing projects and plans.

Q. Mr. Dixon, one of the things which appeals to us so greatly on the coast is the possibility of getting an outlet from the Peace River for oil and gas?—A. I think Prince Rupert—

Q. Of course, if the main pipe line comes through Yellowhead Pass then that main pipe line is within reach of Prince George?—A. No, it is a long way from Prince George.

Q. Well it could be built?—A. You can build a line anywhere but it is a tremendous distance from Prince George.

Q. From Prince George you could join up with it?—A. Not economically, no.

Q. Your pipe line comes across southern British Columbia and is absolutely of no use to the Peace River or northern Alberta and northern British Columbia?—A. Our line would be of no use to the Peace River.

Q. I would like to compare two of your routes—route A and B. Route A is the one on which the main line will run all through Canadian soil to Vancouver with two branches, the first one going off there from Trail to Spokane and the second going off from Aldergrove to Portland, Oregon. Those places I have named are correct, are they not?—A. They are correct.

Q. And Route B has the main line in the south-eastern corner of British Columbia as far as Kingsgate and then it goes to Sandpoint, Idaho; Newport, Washington; Spokane, and on to Monroe on the coast of Washington? That is correct is it not?—A. That is correct.

Q. Then it turns south to Seattle and Portland?—A. That is correct, and north to Vancouver.

Q. By the way, if you build on route B what is the size of the pipe line from Monroe to Seattle?—A. Twenty inches I believe.

Q. And from Seattle to Portland?—A. I think we have twenty inch all the way down; I am not certain of that, we have a great many variations.

Q. Have you any plans to extend it south of Portland?—A. No.

Q. Have you made any surveys south of Portland?—A. No, there would be no possibility of that as the Portland Gas Company already has a line extending down south as far as Eugene where manufactured gas is transported to the south.

Q. Have you had discussions with them on the matter?—A. We have had some discussions.

Q. So in effect this Canadian gas will go south a lot farther than Portland?—A. It will go south as far as Eugene.

Q. Will it go to California?—A. It could not possibly go there.

Q. What is the size of the pipe line from Monroe to Vancouver?—A. Twenty-two inch.

Q. Then, of course, there are two branches in British Columbia on this route; the one from Newport into Trail and the one from Monroe into Vancouver? That is correct is it not?—A. Yes.

Q. Those are the only places in British Columbia that will be touched by this pipe line except for a short distance through east Kootenay?—A. There will be Cranbrook, Kimberley, and Nelson—the towns that would be served naturally from Trail.

Q. You said yesterday that the total cost of building route A, that is the all-Canadian route—would be \$110,600,000?—A. May I make another statement on the cost; it may clarify the situation.

Q. Well, could I get that figure on what would be the cost of the all-Canadian route?—A. The cost of the grid system, which of course is common to any project is \$23,872,000 for the pipe line and \$2,795,000 for the compressor stations.

Q. What is the total?—A. \$26,667,000.

Q. That is for the grid system entirely in the province of Alberta?—A. As far as Pineher Creek junction.

Q. It is entirely within the province of Alberta?—A. Yes.

Q. That figure is common to all five routes?—A. Yes, sir.

By the Chairman:

Q. Is that included in the five routes indicated here?—A. That figure is not included in the cost.

Q. It is not included in the cost that you have submitted on the charts?—A. No, the costs shown here are just costs for the line and compressor stations to the points shown.

By Mr. Green:

Q. The figures you have given on these sketches we have today are all from Pineher Creek and do not include the cost of the grid system in Alberta?—A. That is correct.

Now, I would like to make an explanation of these costs. These are construction costs—the bare construction costs that the engineers estimate that they should be able to build for. We have to add a great deal to them to get the final actual cost but, as that is common to all projects for comparative purposes, these costs, I think, are the most valuable.

Q. Well, would the figure which has to be added to get the final total cost be the same for all five routes?—A. It would be the same percentage of the cost.

Q. The same percentage of the cost?—A. Yes, but we have not got contractors' profits and we have not got interest during construction, and those things.

Mr. MOTT: Pardon me, Mr. Chairman.

Mr. GREEN: Well, may I finish?

The CHAIRMAN: Would you let Mr. Green finish?

Mr. GREEN: If I am to be interrupted it is hopeless.

The CHAIRMAN: Well, it is almost one o'clock.

Mr. GREEN: I am not nearly through.

Mr. MOTT: I am sorry, Mr. Green, but it is one o'clock and I was going to make a motion that we adjourn until four o'clock.

Mr. GREEN: I will carry on afterwards.

The CHAIRMAN: Before I put the motion I see that Mr. McCulloch has a motion to include the charts in the record of our proceedings.

Agreed.

The CHAIRMAN: The meeting will adjourn until four o'clock.

The committee adjourned until this afternoon, Thursday, April 27, 1950, at 4:00 p.m.

April 27, 1950.

AFTERNOON SESSION

—The committee resumed at 4:00 p.m.

The CHAIRMAN: Gentlemen, will you please come to order. Mr. Dixon would like to make a brief statement, and with your consent we will have him do so.

Mr. GREEN: I still have the right of way, of course, Mr. Chairman.

The CHAIRMAN: Yes, you have the right of way as soon as this statement which is relevant to the whole situation is given.

Mr. A. F. Dixon, Geologist and Engineer, recalled:

The WITNESS: During the noon hour I have had the pleasure of talking with Mr. Prudham and Mr. Decore, and I am sorry if there has been some misapprehension of what I was saying or trying to say, in regard to the route through the Yellowhead pass. I do not want to give the impression at all that we had just brushed that route off and brushed off northern Alberta. We are making a study of that route. Three months ago we engaged the services of Ebaseco Services, Incorporated, which is a large engineering company in New York, one of the largest, to study the Yellowhead pass, as there has been great disagreement among construction engineers on how to get through that pass and the cost of construction of a pipe line through it.

Mr. GREEN: That is the pass down near the coast, is it not?

The WITNESS: That is the pass that runs from Hope to Princeton.

Mr. ROBINSON: Would you mind indicating that on the map, Mr. Dixon?

The WITNESS: This pass is common to any route coming through Canada, either from the Yellowhead, or coming through Trail. You must go through that pass. There is no other possible route. We are going to study carefully the possibilities of coming down in that direction. One great disadvantage of that route, of course, is that it leaves Trail and a very considerable population in that neighbourhood off of the line or the possibility of getting on the line. But we will certainly want to, before we go before the Board of Transport Commissioners, have all the facts in hand and we will try, of course, to keep an open mind on the whole affair. Now, as far as Alberta is concerned, looking at it from the other side, the Alberta government are the ones who will decide from what fields the gas is going to be taken. They have that right and that is the law. It is perfectly evident that if the gas should come from the south,

the Crow's Nest Pass is the most convenient. If they should decide that the gas should come from the north, there would be some differences of opinion on the subject. To my mind the gas which has been discovered and what can be called proven is more abundant in the south than in the north. Possibilities to the north are enormous. It has not been developed to anything like the extent that it has been in the south.

Mr. SMITH: When you say north and south where is your dividing line?

The WITNESS: I would say fifty miles north of Edmonton.

Now, the line going up to the north of Edmonton could take gas from the fields in that region, although the amount of gas that the geologists who have been acting for us, consider is not now in as great a volume as proven, still there is a very large prospective area in all the northern part of Alberta for the discoveries of oil and gas. I have been asked the question of how many lines should be built and I have said, as of the moment, it looks as though only one line should be built. Personally I think there is enough gas in the north or south to build a line. That is where Alberta wants to have the gas taken from.

We will, of course, abide by the decisions that we have to make. This enterprise involves a tremendous amount of money and one cannot afford not to try to get all the information they can before going ahead.

I thank you.

The CHAIRMAN: Mr. Green, we will now continue from this morning.

By Mr. Decore:

Q. In view of the statement that was just made I want to ask one question. I understand, Mr. Dixon, it will cost approximately \$25,000 to survey that Yellowhead route. Is my understanding from the evidence you gave us this morning correct?—A. If we do it with the same care we exhibited on the other routes it will cost that much.

Q. Am I to understand that before you go before the Board of Transport Commissioners you will give this route such study as you have all these other five routes you already outlined?—A. Yes.

Q. In other words, you will do that before you appear before the Board of Transport Commissioners?—A. We certainly will.

The CHAIRMAN: Mr. Green.

By Mr. Green:

Q. Mr. Dixon, what about oil in Alberta? Is it not a fact that most of the oil is around Edmonton and north?—A. The main discoveries of oil have been made around Edmonton.

Q. And the Yellowhead Pass is the natural outlet to the west coast for oil, is it not?—A. I would not necessarily say that. I do not know enough about it.

Q. You would not say that it is not the natural route outlet?—A. I do not know enough about it.

Q. Before the committee adjourned at noon, we were going into the question of the cost and, of course, you realize just as I do, myself, that the comparison as between the cost of the Yellowhead route and the cost of the Crow's Nest route is what I want and you are not in a position to give us that. You are only able to give us the cost as between your five different Crow's Nest routes?—A. I cannot give any cost estimates such as I have on this. I can give my opinion from the part I have seen, that is all I can do.

Q. Will you give us now the cost of route "A" which I call the Canada-first route, which has two branches to the United States, one down to Spokane, and one down to Portland, or as you said this morning, the gas was going to go right down to Eugene, which is one hundred miles further south than Portland, and then the cost of the United States-first route which is route "B", where the situation is just the reverse, and the main line goes through the United States

and there are two branch lines up to the north in Canada, one to Trail, and one to Vancouver. Can you give me those figures?—A. Starting at Pincher Creek Junetion, the construction costs of the line, which we have called route "A", as shown on the sketch map, leaving out of account the grid system, is \$78,806,000.

Q. Leave out what, Mr. Dixon?—A. The grid system.

Q. Well, then, you said this morning that there were some additional costs to be added on, of which you gave as an example the contractor's profit, and I do not doubt that the contractor constructing this line is going to make a profit. Now, what is that additional figure that has to be added to the \$78 million for that.—A. I would say four or five per cent.

Q. Four or five per cent in each case?—A. Yes.

Q. And then are there any other figures to be added to arrive at a total cost from Pincher Creek to the end of the line? What other figures are there?—A. There are the organization expenses and the chief expense is the interest during construction.

Q. Which?—A. The interest during construction.

Q. Interest on the money borrowed?—A. On the money. If it takes three years, which this line might take, that would run to twelve per cent.

Q. Twelve per cent. Can you not give us the total figure, that is the total cost from Pincher Creek to the end of the line?—A. That would be adding, well, approximately seventeen per cent to these costs. I cannot figure that out in my head.

Mr. HARKNESS: Seventeen per cent on the \$78 million?

The WITNESS: Yes, seventeen per cent on the \$78 million.

By Mr. Green:

Q. In other words, from Pincher Creek to the end of the line will cost \$78 million plus seventeen per cent.

By Mr. Smith:

Q. That includes contingencies on your costs; there are contingencies in this estimate of construction costs?—A. The interest during construction might be a little larger. It is a little difficult to figure whether we can do it in two or three years.

Q. Of that figure, how much would be spent in Canada and how much in the United States on route "A"?—A. In Canada \$56,712,000; in the United States \$22,094,000.

Q. And you have to add on to that, of course, the other charge of seventeen per cent?—A. Yes.

Q. What should be the length of pipe if that route were chosen which would be in Canadian territory entirely?—A. I have not got that figure with me. If my memory serves me it is about 1,012 miles.

Mr. SMITH: It is on our map here.

The WITNESS: Pardon me, is 1,011 miles.

By Mr. Green:

Q. That is not the figure I want because that figure includes quite a length that is in the United States?—A. I have not that figure with me.

Q. Could you get that figure for Canada?—A. Yes, I could get that for you for tonight.

Q. And then to come back to route "B", which is the route down to Spokane and so on to Vancouver and Washington. What are the figures for that route?—A. The corresponding figures are: in Canada, \$19,386,000; in the United States, \$42,476,000.

Q. Plus, in each case, the seventeen per cent?—A. Yes. Pardon me, no. In this case, I would only add, as I think it can be done, constructed, in two years, the interest during construction would be four per cent less, so it would be thirteen per cent in this case.

Q. Well, there is a difference then in the amount spent in Canada on these two routes of about, what was it, about \$40 million?—A. Less than that. About \$20 million, something like that.

Q. What was the figure for route "A" again?—A. As I figure the difference, the total cost, you are asking—

Q. No, no, the difference between the amount spent in Canada on the two routes. To go by the all Canadian route, I think the amount spent in Canada is to be \$56 million.—A. \$56,712,000.

Q. And if you go the other way, it was to be \$19 million?—A. \$19,386,000.

Q. That is a difference of about?—A. \$35,424,000.

Q. Then, have you got the similar figures for your other three routes?—A. I have not got them here, no. They are intermediate figures between these two extremes. I have not got them worked out.

Q. You have not got the costs, either, for those?—A. I have not got that divided. I have the total cost but not the figures for the division.

Q. You have given figures on your sketches?—A. Yes.

Q. But you have not got the division as between the amount to be spent in Canada and the United States?—A. No, I haven't got them, no.

Q. Could you get them?—A. I do not know whether I can pick them out or not it is quite a piece of computation,

Q. By the way, in arriving at your figures for the amount spent in Canada, in the case of the United States route, do you charge the whole of the branch line up to Trail as a Canada expenditure?—A. Only the part in Canada.

Q. And the same for the branch at the coast, at Vancouver?—A. Yes.

Q. Will you also get the cost of the mileage in Canada for the United States first route?—A. I have not got that.

Q. You can get that, can you?—A. Yes.

Q. Now, if the line goes over the border is it the situation that the equipment for building the line in the United States will have to be American equipment?—A. Largely.

Q. That will include pipe?—A. Yes.

Q. You do not suggest that Canadian pipe will be used in the United States?—A. The Dominion Bridge has given me a price for pipe that will be laid down in Alberta. Of course, we could use some of that in the United States unless the customs duties, which I do not know now, are too high. Part of that might be used in the United States, but the determining factor is the cost of the freight and the custom duties.

Q. Did you get from the Dominion Bridge their figure for pipe through the United States on your "B" route?—A. It would be the same cost.

Q. No,—did you get figures from the Dominion Bridge for your pipe on the United States portion of your "B" route?—A. No. It would be the same figure plus the freight plus any duty. Their cost is so nearly competitive that it might be cheaper to buy it from them than it would be from others.

Q. I asked that for this reason, Mr. Dixon, because this morning you said, or it was said in a letter from the Dominion Bridge Company, that you only asked for the price on the four hundred miles in Canada and you are not able to tell us what the cost would be for the pipe the rest of the way, if an all Canadian route was followed, and now this afternoon, you say you have discussed with them the supply of pipe for the American route?—A. I think you are wrong with your statement.

Q. You think I was wrong?—A. Yes.

Q. Then with regard to the maintenance,—the reason I asked that, Mr. Dixon, is this, I believe you people very much prefer this United States-first route?—A. On the subject of maintenance there is no question whatever.

Q. Well, on the maintenance, of course, if the line were in Canada, the maintenance cost would go to Canadians, and if it goes through the United States those costs would go to the Americans, is that not so?—A. That is self-evident.

Q. Then on the rates in Vancouver I understood you to say yesterday that the rate you expected in Vancouver would be thirty-four cents per thousand feet. —A. No, I did not say that.

Q. Pardon?—A. I did not say that. I said it would be somewhere from thirty-four, thirty-six, thirty-eight, depending on the route that was taken.

Q. It would be from thirty-four cents to?—A. Thirty-eight cents. That is as nearly as we can figure with the present price of steel.

Q. I also understood you to say that regardless of whether the line went through Canada or not, Vancouver would not get the gas any cheaper than Portland or Seattle. You said there was some sort of an arrangement that all these cities would get it at the same rate.—A. The prices will be fixed by the authorities, but the general scheme that we would like to have, which is the ordinary scheme on any large pipe line, is that on towns along the line buy the gas under a rate structure at a price depending upon their load factor; if they are able to take the gas steadily and not have a high peak they get the gas cheaper; if they have a high peak in winter, then on the demand-commodity rates, the total cost of the gas is higher and we expect to put a rate structure into effect for all the towns, giving the same price no matter what route is taken.

Q. Well, now, suppose the line goes through the United States and there is just a branch line up to Vancouver, then what about rates?—A. Just exactly the same. Spokane, Portland, and Vancouver would all pay the same rates.

Q. I asked you that, Mr. Dixon, because in the reports of the evidence given before the Alberta Natural Gas and Petroleum Board,—I am quoting from a despatch of February 18th, from Calgary, which reports this evidence having been given there in the hearings of the West Coast Transmission Company:

We plan to go through the Yellowknife Pass; they say the total cost in Vancouver will be 29.2 per cent.

—A. Pardon me, that is not a correct statement, I was there and heard what was said.

Q. It says United States points will have to pay an additional 6.4 per cent per thousand feet bringing the cost there to 35.6 per cent, so apparently this other company is planning to charge a higher rate in the cities that are further away from the source of the gas?—A. In the first place, I do not accept your statement on the costs; that is not the testimony that was given there; it is something very different from the testimony that you are quoting as they did not know what price they were going to pay for the gas, they would never state that. Therefore, why in the world would they say what the gas was going to be sold for? They gave the transportation cost and that was all.

Q. Mr. Harkness tells me they took the gas in at five cents per thousand feet. In fact, this article says that the cost of gathering would be 5.9 cents per thousand cubic feet.—A. That was someone else's testimony.

Q. But they do not figure the way you do in that, they are charging Vancouver a lower rate than is being charged the American cities?—A. Remember they have to have the consent of the American consumers just as anyone bringing gas to Vancouver would have to have the consent of the Vancouver con-

sumers and they are certainly not being consulted on that, and how they could charge six cents more for gas for being brought in a few miles across the border—

By Mr. Green:

Q. Several hundred miles?—A. No, he said they were charging that six cents at Bellingham, just across the border.

Q. In other words, the Canadian consumers would get the gas at 6·4 cents cheaper than the American consumer?—A. Yes. They said something to that order but that is entirely unrealistic and cannot be done.

Q. That is not your plan at all?—A. Not all, because it cannot be done.

Q. Your plan is that the consumers in Vancouver will have to pay just as much as the consumer at Portland or Eugene which is one hundred miles south?—A. You are going too far there because we are not bringing gas to Eugene.

Q. To Portland?—A. To Portland.

Q. Even though you put this line through to Seattle you are going to charge Vancouver the same price?

Mr. Goode: On a point of order—

Mr. Green: I must object to the interruption; this is cross-examination.

Mr. Goode: A point of order?

Mr. Green is using this as a court of law and even if he does so, he should not be allowed to make the statements he is making. He is making a statement and asking the witness to verify it. I say let him ask the question without making a long declaration.

The CHAIRMAN: I think he is well within his rights on any question he has asked, but if he would confine his statements to a little shorter time that would be all to the good.

By Mr. Green:

Q. Then, so much for the cost, Mr. Dixon. What United States centres are you planning to serve?—A. What United States centres?

Q. Yes?—A. The principal centres are all shown on these little sketch maps.

Q. Well, on route B you show Sandpoint, Newport, Spokane, Hanford, and Monroe.—A. And Seattle.

Q. Oh, yes; Seattle and Portland?—A. And the intermediate points along the way.

Q. You are serving such centres as Wenatchee, Washington?—A. That would be on route B.

Q. And Yakima? Yakima is a few miles from Hanford? Are you serving it too?—A. Well it will be a question of bringing it up with Hanford; whether they want us to serve any other places.

Q. And Walla Walla?—A. What?

Q. Walla Walla?—A. No.

Q. What about Pendleton, Oregon?—A. I do not know; that is one of the things that may come in the future but it is doubtful.

Q. Are there surveys being conducted in these American cities and towns now, to decide what gas they will use and what new industries they can establish?—A. We have made very elaborate and careful surveys—are making I should say—for those towns along with the operators of the gas companies.

Q. You have been negotiating with the operators of the gas companies in those various American centres?—A. And also in Vancouver. I do not say that we are negotiating; we are working with them on how much gas they can use.

Q. Now who are you working with in Canada?—A. With the B.C. Electric Company.

Q. I mean to say you are working with people in Vancouver, and with the Consolidated Mining and Smelting people at Trail?—A. Yes.

Q. Are you working with anybody else in British Columbia?—A. No.

Q. Have you any surveys of Fernie, for example, in east Kootenay?—A. For Fernie?

Q. Yes?—A. I think we have made surveys of all towns.

Q. You are not discussing the situation with Fernie?—A. No, we are not discussing it with them; as far as price is concerned we have not had any discussions.

Q. Or any of the cities in the Okanagan?—A. No.

Q. Or in the Upper Fraser Valley?—A. No. In our discussions with the B.C. Electric Company it appears that they want to take the gas over and bring it up the Fraser Valley. They do not want us to build the line up there; they want to do it themselves.

Q. I see; that brings me to one of the statements in your memorandum, Mr. Dixon, on page 8 where I find: "Thus, the proposed system will supply more natural gas to more users in Alberta and British Columbia than any other proposed gas pipe line system."—A. We made that statement, yes.

Q. How can you justify that statement?—A. Because we serve more people.

Q. If you put your line through the States how can you justify that statement?—A. Because, starting from the grid system, to Kingsgate, and the area around Trail—towns over 1,000 that we would serve in the northwest along that route are: Natal, 1,300; Fernie, 3,000; Cranbrook, 3,100; Kimberley, 5,400; Creston, 2,000; Trail, 12,960; Rossland, 4,500; making a total of 32,265.

The corresponding figures as near as we know, although we are talking about something on which we may not have all the information on the other route for towns of a population of more than 1,000 which the West Coast Company would serve are: Kamloops, 10,000; Merritt, 1,300; Princeton, 2,391; Hope, 1,100.

On the southern route and we would serve a population of 32,000 and on the west coast route we would serve 14,700.

Q. You said that you might not have all the information. The statements made by the other people coming in from the north are to the effect that they are also going to serve the Okanagan and Trail?—A. They did not say that in their presentation in Alberta.

Q. If they service those centres they would serve far more than you would?—A. You can say that they could bring a line anywhere; but it is not part of their scheme.

M. SMITH: It is part of their plan filed and sworn to; I happened to be there at the time.

The CHAIRMAN: I think questions should be confined to this issue.

Mr. SMITH: You are right, sir; and I apologize.

By Mr. Green:

Q. The one thing which we in Vancouver are very much concerned about, and Trail is in the same position to a smaller degree, is that if your line goes through the United States it will result in us finding ourselves at the end of the line? Now, how can that position be improved and what is to be done in a case like that?—A. That would be by agreement—like any other agreement. Certain agreements are made between the regulatory bodies—which would be the Federal Power Commission and our Board of Transport Commissioners. They would be honoured by both sides. I think there would be no question at all about it. It would be just the same as the position of Seattle and Portland where they would have to trust to the agreement that they would make with the Canadian authorities.

Q. The only protection for users in Vancouver would be if your main line goes down through the States and, if we are just at the end of the branch line—
A. Wait a moment. You are speaking of being at the end of the branch line but our large line goes to Vancouver and one of the lines that were shown on the West-coast Transmission was a very small branch line to Vancouver. Their main line was into the States; they had a twenty-four inch line into the States but only a sixteen inch line into Vancouver.

Q. That was within a few miles of Vancouver?—A. Quite a distance.

Q. The position is that if you build on route B which goes through Spokane and Munroe down to Seattle, Tacoma, Portland, and Eugene, and we are on the other end of the line up to the north, then the only protection we are going to have for our supply of gas is some agreement between Canada and the United States?—A. Do you not think that is sufficient protection for anybody.

Q. I beg your pardon?—A. Do you not think an agreement between Canada and the United States is perfect protection?

Q. The situation is, unless it has changed in the last few weeks, that there is no treaty between Canada and the United States concerning oil or gas going over the boundaries. As of last December there had been no negotiations undertaken, and I ask you how Vancouver is to be protected?—A. Those are questions that will have to be resolved. There can be no line built without an agreement, even if it goes through Canada all the way. There can be no line built at all unless there is some agreement between the two sets of authorities that each part will get its respective gas.

Q. Nobody on this committee is objecting to building the main line to serve Canada and to have the surplus carried off to the States?—A. It will have to be more than that?

Q. How do you mean it will have to be more than that?—A. There will have to be an agreement that the States will be served.

Q. That the States will be served?—A. Yes and we can trust to that agreement.

Q. Well, will there have to be an agreement that the States will have to be served before Canada?—A. I do not know about that; that would be something that would have to be determined.

Q. Mr. Dixon, there has been some suggestion that the line could be run through the States and yet Canadians could be served before Americans on the line are served?—A. I think an agreement could be made. This is our thought: we will take the estimate as given by the authorities and that amount of gas will be allocated—after the Canadian needs which will have a priority.

Q. You did not get my question. You were asked a similar question in the Senate committee: "Would it be possible for this line to run through American territory but not to serve American points until Canadian points are served,"—and your answer was: "No, that would be utterly impossible."

—A. Well I think on the face of it, that it certainly would be. You cannot bring gas along a route such as route B, bring it back up to Canada, and then have another line going down from there—duplicating the two lines. That would be silly.

Q. Will there be any construction of storage facilities, such as tanks?—
A. You cannot store gas excepting for very small amounts—a few hours' supply—and that is done by the distributing company. We are in the hopes of finding some underground storage. There are some old gas wells east of Seattle where they had some gas in the lava beds. It was very low pressure and there is a faint possibility that they may be used for underground storage.

Q. You are hoping to find underground storage near Seattle?—A. There is a possibility of that; that is the only place I know of unless someone would drill a gas well and find a gas field—and that would be the best thing that could happen to a project like this.

Q. Well—

Mr. SMITH: Let him finish his statement. He says the best thing that could happen would be to find a small field near Seattle?

The WITNESS: Spokane or Seattle, or anywhere near the end of the line. It would be invaluable to everybody because this gas could be stored and peaks could be shaved. There has been some drilling right in the vicinity of Vancouver and I hope they find some gas.

Mr. SMITH: It cost me some money,—I know that.

Mr. GREEN: Mr. Connolly mentioned in his evidence yesterday that if any of these other three intermediate routes were followed gas could be sent through in bond. I would like some explanation of that, and I would point out to you, Mr. Dixon, on your routes C, D, and E, in each case, you show a branch line going off to Spokane—a branch in the States. How on earth you could put gas through any of those routes in bond I cannot understand, but I would be very grateful if you would explain?

The WITNESS: I do not know the technique of bonding a commodity.

Mr. SMITH: Particularly gas.

The WITNESS: It would be a form of legal agreement, which would amount to the same thing.

By Mr. Green:

Q. An agreement? As a matter of fact you have not got any plans to ship gas in bond through the United States, have you?—A. I should think that is the way it could be done—we would like to do it and we have asked some lawyers to work on it for us, but there seem to be some very silly difficulties in the way.

Q. For all practical purposes there is no such thing as shipping gas through the States in bond on any of those three routes, is there?—A. I would not say that; I do not know.

Q. That brings me to the next point. Is it a fact that the Canadian Board of Transport Commissioners has no control over the pipe line in the United States?—A. I do not suppose they have.

The CHAIRMAN: That is hardly fair.

The WITNESS: Excepting over the gas going into the pipe line.

The CHAIRMAN: That is hardly a fair question; he cannot interpret Canadian regulations.

Mr. GREEN: I think it is fair because Mr. Dixon is a very experienced oil and gas man.

The CHAIRMAN: He has shown that—but he is not an interpreter of Canadian laws.

Mr. GREEN: He is familiar with the American situation.

The CHAIRMAN: You asked about the Canadian regulations?

Mr. GREEN: I asked if the Board of Transport Commissioners has any control over a pipe line laid in the United States.

The CHAIRMAN: It is not a fair question, but if he can answer, all right.

The WITNESS: I do not know.

Mr. GREEN: Did you follow the pipe line that was laid to the boundary of southern Manitoba—to Gretna?

Mr. SMITH: The oil line.

By Mr. Green:

Q. The oil line, yes. I believe the Board of Transport Commissioners made a ruling covering the line to Gretna but no further? You follow all these things?—A. I follow them in general.

Q. Well, with regard to your route B, your line which goes through the United States, you would apply to the Canada Board of Transport Commissioners for an order to allow you to build that line to Kingsgate, to the boundary point?—A. To build it not only to Kingsgate but for the privilege of exporting from Kingsgate.

Q. Yes, you would ask for the privilege of exporting from Kingsgate but when you went on to build your line past Kingsgate you would ask the Federal — —A. Power Commission.

Q. Yes; the Federal Power Commission; and you also have to go to the board in Idaho?—A. No, I do not believe so, but that is a question that is still in dispute—whether the state authorities have any authority over an interstate pipe line.

Q. What about Washington? When you cross the border into Washington do you then have to go to some governmental authority in Washington?—A. If you have the authority of the Federal Power Commission you do not have to get authority from a state but, like a great many other things, they have methods of regulating and so you had better keep on their good side and do what they want.

Q. For practical purposes is it better to go to those states and get their approval?—A. You might not get their approval but you will do what they want.

Q. You have to get the approval of the Federal Power Commission to enter the United States in the first place?—A. You have to get their permission to build a line.

Q. I think you said in the Senate that you had to get their permission to enter the States and then for the line through the States.—A. That is one way of putting it but what you really do is apply for a given route and the particular state line is disregarded as far as the application is concerned.

Q. If the American route is followed, route B, then the United States Federal Power Commission will have the deciding of where that route is going from the time it leaves Kingsgate right through—the main line of that route and all branch lines up to Trail;—with the exception of about twenty miles in Canada.

A. No, that is not exactly the way it works. You make an application to build the line and it is accepted or refused. They do not tell you where to go. They give you a permit.

Q. Perhaps we should get at it the other way round. The only part of that line over which the Canadian Board of Transport Commissioners will have any jurisdiction at all will be from Pincher Creek to Kingsgate at the boundary, and then for a few miles from the Canadian boundary up to Trail—about twenty miles there, and at the coast again from Aldergrove on the boundary for twenty or thirty miles into Vancouver.—A. No, I would not say that. A person who has control of a part of anything has control of some of the rest. If they are controlling the flow of gas into the States you cannot say they have no control over the line, for all practical purposes.

Q. The only control they have over the line into the States would be in connection with the gas actually going through it, but nothing to do with the laying of the line?—A. I suppose they could either grant or refuse the permit for where you were going to build.

Q. Then there was some suggestion made by you yesterday about rates. I understood you to say yesterday that you would be allowed to make 7 per cent on your over-all investment in Canada?—A. I think I said that is what I believed to be the case in Alberta and I thought it was the same in British Columbia. I was told afterwards that I was wrong and apparently it is 5 per cent in British Columbia.

Q. Is not the situation this, Mr. Dixon? Any percentage set in Alberta would only be set against your grid system and you would be allowed a certain

profit on the operations of that local Alberta project?—A. I think that would be the way it would work and they would set rates too for towns served along the main line in Alberta.

Q. In British Columbia I cannot see any way in which you are liable to any restrictions. I can see that the rates of the British Columbia Electric Company—which is going to sell gas, if you get the authority to build a route—can be controlled, but there is no authority that I know of to control the rates of the distributor of gas?—A. If there is not authority now there certainly will be soon. It has been my experience that where you go into a state where there is no authority you should not think for one moment that the condition is going to last.

Q. There is this further position. You are asking for a dominion charter and that means that the province cannot deal with your rates. The telephone company is in that very favoured position in British Columbia—it is a dominion company and the British Columbia Utilities Commission has no control whatever over their rates?—A. In that case there will certainly be an Act made by parliament because, all precedent would indicate they will have control over the rates.

Q. And you know that the Dominion Pipe Lines Act which was passed a year ago gives the Board of Transport Commissioners the right to set rates and tariffs on oil pipe lines but leaves you fellows clear—there is no such thing as setting rates by the board on a gas pipe line?—A. That is good; but I am afraid it will not last.

Q. Pardon?—A. I am afraid it will not last.

Q. That is the position at the moment is it not?—A. That is what I am told.

Q. So that in effect the position is you can charge whatever rate you can get away with for your service of carrying gas in Canada today?—A. No; of course that is not in any case true. We would be crazy to do that.

Q. You can charge whatever the market will stand? Is not that the picture?—A. No, I would not say that. You can do a great many things legally that would not be practical. If we charged more than we should, then in the next few weeks when parliament was in session we would be regulated.

Q. For the time being the sky is the limit—there is no governmental right to step in.—A. Well, if you say so I believe it must be the case, but I do not know.

Q. Then Mr. Dixon, this application is for incorporation of the Alberta Natural Gas Company. Is that company to be, in effect, a subsidiary of Northwest Natural Gas Company?—A. Yes; well either Northwest will be a subsidiary of it or it will be a subsidiary of Northwest; we do not know yet just exactly how it will be set up.

Q. Northwest Natural Gas Company is a corporation incorporated in the State of Delaware?—A. Yes.

Q. Is Northwest Natural Gas Company a subsidiary of Venezuela Syndicate Incorporated?—A. No sir.

Q. It was reported in—

Mr. SMITH: Moody's—

The WITNESS: According to the definition of a subsidiary it must have at least 10 per cent of the stock. Venezuela Syndicate has not got 10 per cent of the stock.

Mr. GREEN: How much has it got?

The CHAIRMAN: That is not relevant.

The WITNESS: I cannot say, I have not got that.

By Mr. Green:

Q. Venezuela Syndicate is associated with Northwest Natural Gas Company?—A. It owns some of the stock.

Q. Who is behind the Venezuela Syndicate?—A. It has about 400 or 500 stockholders.

Q. What company is associated with it on the next level up?—A. Nothing—my partner is the president of it and I am a director.

Q. Of Venezuela Syndicate?—A. Yes, and we run it.

Q. Where do Morgan Stanley & Co. come in?—A. They do not come into Venezuela Syndicate at all.

Q. How do they get control?—A. They do not claim any control.

Q. How are they associated?—A. They joined us in putting in money, and they put in time—as members of the group trying to get the project over.

Q. If this line is laid through the States will that part of it be operated by Northwest Natural Gas Company?—A. The part in the States, do you mean?

Q. Yes?—A. Yes.

Q. So that if you get what you are after and get this charter, and then get permission to build this line, the position will be that Alberta Natural Gas Company will only be operating a line from Pincher Creek—in the first place Alberta Natural Gas Grid Limited, which is another associated company, will be operating the grid system in Alberta?—A. Yes.

Mr. GREEN: Will you please keep quiet? Alberta Natural—

Mr. ROBINSON: There is gas in north Simeoe too.

By Mr. Green:

Q. Alberta Natural Gas will be operating the line from Pincher Creek to Kingsgate, and they will be operating the little stub from the border to Vancouver and the little stub at Trail, but all the rest will be operated by Northwest Gas Company?—A. Yes, but the little stub at Vancouver is quite a piece of pipe line.

Q. That is the situation. And is this company to be controlled in the United States?—A. I do not know.

Q. Well, now, Mr. Dixon, surely you know that?—A. Well, I am uncertain where we will raise the capital for it and the people who put up the main capital will be the ones to control it.

Q. Who is to have the stock control?—A. That will be determined when the stock is sold. We hope to get control naturally.

Q. I asked you that because Mr. Connolly was asked this question in the Senate by Senator Euler: "Where will the stock control be?" and his answer was: "I would think the stock control would probably be in the United States, sir."—A. Well, he was expressing his opinion, and that was the opinion we all held.

Q. Do you contradict that now?—A. No, I do not contradict it.

Mr. CARROLL: You cannot give an opinion on that because no one will know that until the stock is sold.

Mr. GREEN: I think Mr. Dixon knows who is going to control it.

Mr. MURRAY: The company is not even formed.

Mr. SMITH: The promoters can handle the control, no matter where the stock goes.

By Mr. Green:

Q. Mr. Dixon, who is Mr. Cortelyou Ladd Simonson of New York?—A. He is one of the partners of Morgan Stanley & Company.

Q. He is on the board representing the Morgan Sanley Company?—A. Yes, sir.

Mr. SMITH: Excuse me, I think Mr. Dixon, who has been standing on his feet all day should be allowed to sit and continue giving testimony.

The WITNESS: No, this is all right, thank you very much. You are very kind to think of that.

The CHAIRMAN: Perhaps he can think better on his feet, but it is up to you, sir.

By Mr. Green:

Q. Mr. Dixon, you said something about being associated with Panhandle Eastern?—A. I was associated with them.

Q. What do you know about their situation in this picture?—A. What picture do you mean?

Q. In connection with this development in the west.—A. They have nothing whatever in any shape or fashion to do with this enterprise.

Q. Then, with regard to the form of the bill, your bill gives you power anywhere in Canada; in other words, it is not limited to Alberta and British Columbia, which is the case with the other two bills to incorporate companies who are planning to transport gas to the west coast. Are you planning to transport gas or oil to the east from Alberta?—A. Not now. I do not think we will have any such plans until,—we might in the far distant future when the reserves of Alberta increase as much as I think they will.

Q. Is there any reason why you should have that extra power? Why you should not be restricted to Alberta and British Columbia?—A. I did not know that was in the bill. I did not even know there was any difference in the bills.

Q. Would you be willing to have read into the bill that instead of within or outside Canada, that it should read within Alberta and British Columbia, or outside Canada?—A. Well, I would think it would not make much difference, but I would hate to change anything that would make everything take a longer time.

Q. I see. You do not really care?—A. I do not care much about it, we have no intentions of going to the east.

Q. Have you any objection to having written into your bill that the route of the main line to the Pacific coast must be in Canada?—A. Yes, I have.

Q. Why? You would not agree to that?—A. No. I think that would be presumptuous on our part to put any such thing in. We have done a great deal of work and I think the Transport Commission should have the advantage of it and we should not be telling them where the lines should be built and we should not be telling Vancouver whether or not they should be paying more for their gas than they would otherwise.

Q. I notice at page 6 of your brief, you say the applicants for incorporations are prepared if authorized by the Board of Transport Commissioners to build the first described route which runs through Canada in its entirety to Vancouver. Now, that would read to the outsider reading it, it reads as though you intend to go before the board and ask them for permission to build through Canada but actually the fact is you are only going to build through if you are forced to do so by the board.—A. I would not say that. As I said, the object of anybody in an enterprise like this is manifold, the chief one is to make something out of it, and a line through Canada if it is easier to get permission, and it is feasible—

Q. And it is which?—A. And it proves to be one that can be built and operated, and the Board of Transport Commissioners are certainly one body that is competent to say that. They will have their own engineers and they can give a thorough study to it and they would not give an order to build a line that was not practicable.

Q. Then, to describe the situation accurately that paragraph should read: "The applicants for incorporation are prepared if authorized by the Board of Transport Commissioners to build the first described route."

A. No, not at all. That is an entirely wrong admission.

Q. Let us put it this way.

"if ordered by the Board of Transport Commissioners..."

—A. No, I think it is worded just exactly as it should be.

Q. Will you give any pledge to this committee that your company, if it is incorporated, will build the Canada-first line, build a main line through Canada to the west coast?—A. No.

Q. Mr. Dixon, that is clear cut and we are glad to have that statement but I ask you if you in your talks with the Right Honourable Mr. Howe, the Minister of Trade and Commerce, that is the stand you have taken?—A. Just exactly. I have not said anything to Mr. Howe I have not said to you.

Q. Mr. Howe wrote a letter to the Vancouver City Council on April 4th of this year, in which he said:

"While it is alleged that the Alberta Natural Gas Company, if incorporated proposes to build a pipe line through the United States, this is not the information that the company has given me. My information is that the new company is proposing to build its lines through all Canadian territory and to serve all Vancouver points before taking the line into the United States."

Now, you dispute that, the terms of that letter by Mr. Howe?—A. I told him just what I told you, that we had the five routes, that we would build any line we would be permitted to build, that the Board of Transport Commissioners told us that we would be permitted to build. If the Board of Transport Commissioners tells us to build the all Canadian route that will be the line that will be built.

Q. Did you assure Mr. Howe that you were going to build an all Canadian route?—A. I wish we could have assured him that we were going to build any line.

Q. So you did not assure him you were going to build an all Canadian route?—A. Well, we said we would build an all Canadian route if the Board of Transport Commissioners selected it. He was perfectly correct in his statement.

Q. If you were ordered?—A. If we were ordered.

The CHAIRMAN: Mr. Prudham.

By Mr. Prudham:

Q. Mr. Chairman, I would like to ask Mr. Dixon one or two questions. I will be very brief. I wish to thank him first for the statement right after the opening after lunch but in view of an answer which he gave to Mr. Green a moment ago, would you put five routes before the Board of Transport Commissioners and you said yes, and maybe more, I would like to hear you say once again that before you go before the Board of Transport Commissioners that you will give the Yellowhead route as intensive a study as you have the other route.—A. We certainly will.

Q. Thank you.

Mr. Chairman, in view of the statement of Mr. Dixon, I do not wish to press for further witnesses. Thank you.

By Mr. Ferguson:

Q. In view of the fact that you will, or will you, control the Grid for collecting this gas that will probably take in most of the gas available for sale

at the present time, if you wanted, or any person else wanted to transport gas, say to Winnipeg, and you having the control of the Grids, would they have to come to you for their source of supply?—A. We would certainly like them to and then we could do it much cheaper than they could do by themselves.

Q. Could they go any place else? Would it be economically possible for them to build a Grid of their own, in view of the contract you now have—could any person else wanting to supply gas to Winnipeg, Manitoba, Saskatchewan—would they be compelled, in your opinion, to come to you, due to the fact that if you get this charter and are permitted to operate—will you have control of the great majority of the gas now available?—A. No. There is plenty of gas in Alberta.

Q. What percentage of available gas now will you have to come through your Grid system?—A. You mean by available gas the total reserves?

Q. Yes.—A. During the thirty-year period, it would be about fifteen divided by sixty.

Q. You mean in the next thirty years?—A. During the next thirty years.

Q. For the next five years, what control have you got of all available gas for sale?—A. We would have control of, well, it is hard to speak of available gas except in terms of total reserves.

There is a large field in the southern part of Alberta, the field that is closest to Saskatchewan, which would be the natural field for a line to Winnipeg to start from, or rather a series of fields, and we have not made any contracts there, it is the area which is controlled by the McCall-Frontenac, Texaco, Union interests, and we have no contracts there. There is plenty of gas in that area to supply the demands of Winnipeg.

Q. I want to be frank about it.—A. That has nothing to do with the Grid system.

Q. Does that put your company in a position to control the sources of supply during the next five or six years of all commercial gas?—A. No, I should say not. Anyone wanting to come to Alberta to build a pipe line starting there and going to Winnipeg has quite a large supply of gas which has not been contracted for.

Q. There is still a great supply of natural gas?—A. Yes. And they will be in a good geographical position.

Q. To supply Manitoba, for instance.—A. Yes, to supply Manitoba.

Q. I think you mentioned this morning that within twenty years there should be a return of all capital invested in this operation, is that right?—A. I did not quite say that. I said you have to have twenty years assurance before you can do anything.

Q. Before you can get your money back?—A. You have to have twenty years assurance before you can get your money, let alone get it back.

Q. You also said that the approximate life of this line and the operation of this company would be one hundred years?—A. It would be a very long time and that is a long way away.

Q. I want to learn for my own personal interests because I would like to put more money in the gas business, to get my money back in twenty years and still be good for another eighty. Could you answer if your common stock and your preferred stock and your bond issue will be payable,—you must have in your mind whether you are going to carry American stockholders and undoubtedly in this case they will have the majority of stock and in many such cases in Canada they demand that dividends be paid in American funds. Now, in connection with Morgan Stanley Co., I know them, they generally ask that —have they asked the question whether dividends would be paid in American funds on the various issues?—A. No, they have never made any inquiry.

Q. If they did, I suppose you will probably say, oh, yes.—A. I do not think we will have much to say, either Morgan Stanley and Co. or ourselves on the subject.

Q. Why not?—A. The Foreign Exchange Control Board is the one which will tell us what we can do in that line.

Q. Whether you can pay your dividends in American funds or not?—A. Yes, they are the ones.

Q. Mr. Green asked a question today to the effect that as far as our federal government is concerned they would have no control over the price that you, as a transporting company of this commodity—they would have no control over the profit that you could make, so far as the?—A. I do not know.

Q. Mr. Green, who is an eminent lawyer says there is nothing in the statute books of Canada. Now, for your sake, I hope it continues, for the sake of the users I hope it does not.—A. I would just as soon be regulated. I am assuming if there is no control there is going to be control.

Q. But there is control by the federal government at present of the maximum of six per cent in the United States?—A. Well, it used to be, a few years ago it was six and a half per cent, then after some of the companies became well established and prosperous they dropped that to six per cent and I think some of them cut it a little below that, but six per cent is what we generally think they will let a gas company earn. That is not law. That is what in the opinion of the Federal Power Commissioners is the proper rate of return for the operation. If interest rates go down and money gets more expensive I think the commission will let it go up; if interest rates go down, I think they would lower the rate to five and a half.

Q. To your knowledge there is no federal law which says the maximum, at the present time, which you can earn is a certain percentage. Does it say maximum?—A. It says it must be reasonable.

Q. And as far as this country is concerned it does not say "reasonable" or anything pertaining to profit you can make from your investment on your cost of operation, is that right?—A. As far as I know, but the rates to the consumers—

Q. No person can control the rates you receive on your cost of operation and cost of depreciation and capital costs? This is a federal project. Now, you can control the rate in a municipality or in a province; the provincial or municipal authorities can control it but they cannot take a province-to-province transportation federal company, and you know as an attorney, Mr. Connolly, that no provincial government can dictate what a federal company can charge.

Mr. CONNOLLY: They can do so indirectly. They control the rates.

Q. They can control the rates, what rates?—A. The consumer rates.

Q. The consumer rates, but that has nothing to do with this company at all, they are not selling to the consumer. They will be governed to some extent, I suppose, but what I am getting at is this: suppose they were permitted by the federal government, which I do not think they will be able to do, to receive a return of fourteen per cent on their investment and their operating costs—supposing they were—then the utility in Vancouver could easily say to the city of Vancouver: we only want four per cent on our costs, do you see; but in reality to the Canadian public it would be an ungodly charge for the product, but still the utility in British Columbia would be only getting a fair return of four per cent.

Mr. ROBINSON: Are you asking him or telling him?

Mr. FERGUSON: I am not asking you for any information or opinions. It would not be right if it was given. It is very important, Mr. Chairman. We are asked to grant a charter, and I am certainly learning a great deal about granting federal charters, and I do not want to put a yes, or no to it when I do not know when I am voting on. If I think the people of this country are going to be charged excessively through the lack of flaws, I do not intend to vote for

it, but if I believe it is for the benefit of the people I intend to vote for the charter. I have no intention to stop the progress of this man's company or the consumption of gas in Vancouver or Canada.

Thank you very much for your answers, Mr. Dixon.

By Mr. Murray:

Q. With respect to the Peace River block, which you pointed out, there are several small gas wells brought in there?—A. There is one very good well, I understand, and two small ones.

Q. It would be reasonable that your Grid would ultimately expand to take in any volume of gas from that area?—A. That does not seem very likely as there is so much gas in Alberta.

Q. Prince Albert gas then would go far marketing towards Prince Rupert? A. I think that would be a logical market going towards Prince Rupert and developing in the region. It is easy going through the pass.

Q. With respect to the gas in the Northwest Territories along the McKenzie River, what ultimate use could be made of that?—A. I think the use in the more or less immediate future would be for the development of mining and that type of industry utilizing the local resources. In the distant future, when all this region which seems likely to become a tremendous gas field, why then you can bring gas almost any distance if you have enough of it. They bring gas from Mexico to New York but there is not enough gas for such projects in Alberta proven at the moment, but I think in the course of time such projects will develop and if that should happen, why the Peace River gas and the north Alberta gas could move to almost any market. But for the moment I think to develop the local part of the country is where that gas will be used locally.

Q. Do you think that the gas at Rouleau could be used at Dawson Creek, for instance, which is quite a large settled area now?—A. Yes, and mineral industries or pulpwood could be developed there if there was any.

Q. A new pulp mill is going in at Edmonton. Would that be an industry that would use much natural gas?—A. Yes, that would use a great deal.

Q. It is a \$14 million industry?—A. Gas is a preferential fuel for paper mills.

Q. Are you aware that drilling is going on in the Fraser River in the Quesnel area?—A. Well, I heard that was going on in that line up there.

Q. What would happen if they brought in a gas field there?—A. Nothing for one gas well but in a gas field it would change things tremendously.

Q. But at the rate these gas wells are being brought in at various places the whole picture might be changed from time to time?—A. It certainly will be. Pictures are changed in the gas industry very frequently.

The CHAIRMAN: Mr. Noseworthy.

By Mr. Noseworthy:

Q. Mr. Chairman, I would like to follow that line of thought. I think Mr. Dixon said yesterday or this morning that the construction of a pipe line had no appreciable effect on industrial development.—A. It mostly aids in the development of industries already started or in a place where the industry would be anyway, but I have never in my experience seen a gas company come just because there was gas excepting for its economical use.

Q. Could you say in the light of the natural resources we have in western Canada, minerals, timber, coal, that a pipe line through Canadian territory would be more advantageous to Canada than one going through the United States, or not, in the light of those natural resources that are available?—A. I think it depends. A line going through where there is no immediate prospect of any known development, I do not think that would affect it. If the line is going where there is possible development, I think it would affect it.

Q. You know something of the natural resources of British Columbia? What is your opinion of the effect of the pipe line going through?—A. As far as British Columbia is concerned, I can see no difference in the effect on British Columbia or to any marked extent as far as communities are concerned between any of the five routes that we have been working on because it does take in Trail and the environs there where gas is immediately useful. The only difference would be the possibility that gas would not get up the Okanagan Valley for a long time from a pipe line coming through the United States. But it is difficult for me to think of any industries that would be developed along the route from Trail going towards the west. There does not seem to be very much there. There are very small towns there. It is uninhabited country, very mountainous and not much timber on it until you get over towards the Cascade range.

Q. You are thinking in terms, I take it, of the communities that already exist?—A. Yes.

Q. Are you taking into consideration the possibility of future development by reason of the fact that your gas line goes through that country?—A. I cannot see what development in that region the pipe line would help unless some one wanted to start a pulp mill there and it would look more reasonable to start a pulp mill nearer better transportation as that country is very difficult in all transportation facilities.

Q. There is another line I would like to follow. It was noted in a previous question that you have applied for the right to build either a gas pipe line, or an oil pipe line, and you told us that it would probably require a year to convert a gas pipe line into an oil pipe line. Do you see any possibility of your company having to do that?—A. Excepting in war, the only possibility would be a great emergency in wartime. That was done in a line that I happened to be connected with, an old line that started at Corpus Christi and came to Houston, that was converted to an oil line during the war and reconverted to a gas line after the war. That is the only case I know of where a gas line has been converted to an oil line, although it is fairly frequent for an oil line to be converted to a gas line.

Q. You are not figuring converting your gas line to oil for commercial purposes?—A. No, a line this size, to be worked economically, would require somewhere from 250,000 to 300,000 barrels going through it every day. Which is, so far as the available supplies in Alberta are concerned, would be entirely too large for such an enterprise.

Q. Mr. Dixon, some of us have been charged with supporting a monopoly concern because we showed some opposition to incorporation. I think you have already admitted that there is no immediate possibility of more than one pipe line being built to the coast.—A. That is for the immediate present. I have had a lot of experience on lines that look like there was only one pipe line that could be possibly be built where there are now a whole series of lines, so I hate to be a prophet on that.

Mr. NOSEWORTHY: So you would not care to state how many years from now the second line would be necessary?—A. Well, in the case of one line in Tennessee a great many people argued that it should not be built because there was more gas being supplied than could be used, but then, six months after that line was finished they were building a parallel line alongside it—so it is very difficult to say. One reason, I think really the chief reason, that two lines cannot be built is the fact that Alberta would not allow it. They would think it was taking too much gas from them at the present time.

Q. Can you enlighten us at the present time as to what gain it would be for the Alberta government or for the Board of Transport Commissioners if they have two or three or five or six companies incorporated when only one was

needed?—A. I think competition is the soul of free enterprise. I think everybody should have a try.

Q. When you say competition and having a try, just in what field would the competition lie? Just where is the competition?—A. Competition of ideas for one thing. They should have more than one project presented to them so they could take their choice of what they should do.

Also the Alberta government controls oil and gas and I think they would like to determine where things are going to be done and how; and if there is one choice of places that is all they have to talk about and they have their hands tied to a certain extent. The same thing is true for the Board of Transport Commissioners.

Q. You are offering the Board of Transport Commissioners the choice of five routes?

Mr. McCULLOCH: Or more?

The WITNESS: I promised to give them another.

By Mr. Noseworthy:

Q. Six routes. Do you think it would be advantageous to them if by incorporation of other companies they were to have a choice of half a dozen others?—A. I think it would be advantageous, yes.

Q. So you would favour the incorporation of as many pipe line companies as possible for the building of pipe lines?—A. I should think so. As long as people are *bona fide* and are willing to spend money in trying to do something, I think they should be encouraged.

Q. One further question. What advantage would your company gain by being incorporated without getting a licence; or, if there are five or six companies that know only one company will get a licence, what advantage do they get?—A. The ones that lose gain to the extent of minus quite a few hundred thousand dollars because they do not get it. They are out. It is like a horse race—if we do not win we have lost our entrance fee.

Q. You have already invested \$320,000 in your surveys. If you do get incorporation but if you fail to get a licence, the charter will be of no value?—A. I do not know that it would be of any value—you might know of some other scheme but as far as I see it it would not be of much value.

Mr. SMITH: You have lost your ante.

By Mr. Noseworthy:

Q. Would the fact that you have a charter in any way help you to recover any part of the \$320,000?—A. Not at all, that I can see.

Q. There is no way you can deal with other companies or dispose of the charter?—A. I do not know why any company would want to buy it if they had a charter themselves. I should think that it would be perfectly valueless.

Q. Some of us are wondering why companies are willing to invest up to \$320,000 on the chance of getting a charter when they have no idea whether they are going to be able to use the charter or not?

Mr. SMITH: That is private enterprise.

The WITNESS: It is just the way, as I say, that you bet on a horse.

By Mr. Noseworthy:

Q. I notice, Mr. Dixon, that you have gone not only to the extent of spending the \$320,000, but you have made contracts with oil companies to supply you with oil?—A. You mean gas?

Q. Well you have made contracts with oil companies?—A. Yes, to supply us with gas.

Mr. SMITH: If, as and when they have a line.

By Mr. Noseworthy:

Q. It would look as though that were done with some assurance that you were going to get a licence?—A. It took a lot of talking to get them to sign. They understand the situation perfectly, of course.

Q. You do not think your chances of getting a licence are any better than any other company's?—A. Yes.

The CHAIRMAN: He hopes.

Mr. SMITH: There are no hole cards in this game.

The WITNESS: It is just all in the enterprise.

By Mr. Noseworthy:

Q. You have not had any outside assurance?—A. Not the slightest.

Q. You outlined the number of towns in British Columbia that are being served on the pipe line, and all those towns mentioned in your brief will be served regardless of which of the five routes you follow?—A. All those I mentioned, yes.

Q. All that are mentioned?—A. Yes.

Q. It makes no difference?—A. The only extra ones that would be served, which I did not mention, are Hope and Princeton. They would be served on the A route.

Q. I do not know whether you care to answer this question but let us suppose for a moment that you did not have to go before the Board of Transport Commissioners or before any government board in Alberta, and that you were entirely free to build a pipe line through to the coast by any route you thought was feasible. Which of those five routes, under those circumstances, would you choose?

Mr. LAFONTAINE: He would not be before the committee.

The WITNESS: That is a—

Mr. SMITH: —a tough one.

The WITNESS: It would depend upon many circumstances.

By Mr. Noseworthy:

Q. You have examined the situation and you know the relative costs and so on. You know which one will serve the markets and you must know which one of those five, if you were free, you would choose? I mean if you were free to build anywhere you liked?—A. One route will cost more than the other. It might be more advantageous to build the more expensive route—which has often been the case. The general principle in a regulated utility is that the more you spend the more you make.

Q. In so far as your present knowledge of these routes is concerned, if you were building a pipe line on the basis I mentioned which of the five would you take?—A. That is a supposition so contrary to fact; that happy condition has not been in existence for a good many years.

Q. I do not mind telling you that I did not expect to get an answer to the question.—A. That is a supposition I do not think that I should be required to answer because it is contrary to all the conditions and facts.

Q. In other words you are not prepared to indicate your preference for one of those five routes?—A. No, I do not certainly want to indicate any preference whatsoever.

Q. I notice you mention in your brief that you will be prepared to serve the needs of Canada and that there is a gas supply available to meet the needs of Canada and each of the districts you want to serve in the United States. Are you taking into account there the present needs of Canada or are you considering possible future needs?—A. Future needs. We have discussed and will discuss with the vital companies and authorities to try to get as nearly as possible what the consumption of gas say for the next fifteen or twenty years will be and that amount of space will be reserved for Canada.

Q. I notice from the map and figures given us on routes A and B that route A costs \$11,749 per mile more to build than does route B. Can you explain the difference to us? I have divided the total mileage by the cost in each case.—A. You are referring to the cost per mile?

Q. Yes, I simply divided the mileage given in each case by the total cost and I find that there is a difference on route A, of \$11,749—more than the cost for route B?—A. It is so much more expensive than route B because of the terrain.

Q. It is due to the nature of the country?—A. Yes.

Q. Would you be prepared to tell us now just what are the disadvantages of route A from your point of view?—A. Difficulty of maintenance—that is the chief thing. The fact is that it will be extremely difficult to keep the line in continuous operation—that is the chief disadvantage. Any line going through a country with heavy snowfalls and poor access—if you have a break, will always be difficult to repair quickly. There will be apt to be more breaks than on route B.

Q. More breaks in route A than on route B?—A. That would be reasonable to expect because it is going through side hill country where you may have slides. Fortunately the worst part of that is near a highway which is being kept open at great expense by British Columbia—that is through Allison's Pass.

Q. Would you consider the difference in cost a disadvantage?—A. That is not nearly as much a disadvantage as the difference in maintenance because a line that is not running continuously and regularly 365 days a year, year after year is something that is very hard on the people it supplies, and terrific on the management.

Q. In other words you tell us that route B has a number of disadvantages over route A?—A. It has advantages, yes. It is obvious and anyone can see that across a flat plain with a fairly mild climate and fairly small snowfall, a line would be much easier to maintain. Route A however has political advantages.

Q. Am I justified then in my conclusion that you have a preference for route B?—A. No, because politics could take the place of the engineer.

Mr. NOSEWORTHY: Thank you, sir.

By Mr. Byrne:

Q. Mr. Dixon, the towns you have mentioned as being on the Crow's Nest Pass route—Natal, Michel, Fernie, and so on, are towns where the principal industry is coal mining. What in your experience has been the immediate economic repercussion on such towns whose markets are, I would say almost, 100 per cent within the area to be supplied by the pipe line?—A. Two things—one is the economic effect of selling gas in the towns.

Q. No, no, I refer to the markets.—A. In the markets of course, if you can sell gas in the markets, you can destroy the industry. But most of those towns sell their coal to the east. The great market for coal is going east not west. And as our line is going in the other direction from most of their markets, I do not think it will have a very great effect on the coal market.

Q. But is it not true for most of the area from the Rocky Mountains west, that the coal might go into the northwest Pacific as well as into Trail?—A. Some of it goes to the northwest Pacific and a great deal of it is used as stoker coal. But in going northwest it is oil we would be competing with chiefly.

Q. There would not be any disastrous repercussions?—A. I do not think so, no. The strange fact about a coal town is that all the coal miners want gas. I have been in towns where the people could get their coal free, yet they put gas in and everybody took it.

Mr. SMITH: You cannot blame them, can you?

By Mr. Byrne:

Q. From the information you have available, do you think that the Yellow-head route would economically serve Trail in British Columbia?—A. It could not possibly serve Trail, not in my opinion.

Q. Do you think that the question of markets is a material factor in the development of the Peace River block at the present time?—A. At the present time as there is very little gas which has so far been discovered people are not drilling up there for gas but rather for oil just as they drill everywhere. Gas is purely a by-product in prospecting. Nearly always in a wildcat well what you are after is oil.

Q. Do you think that having an assured market would stimulate the exploration for gas and oil in the Peace River block?—A. If there was a pipe line there I think it would stimulate it, but you must have a very considerable supply of gas before you have a pipe line, and the only way you can get that much gas is by prospecting for oil.

Q. In view of the fact that this pipe line proposes taking the excess of gas from the southern part of the province, do you think that would stimulate the search for gas in that Peace River block?—A. No, it would not.

The CHAIRMAN: Mr. Carter, I think.

Mr. CARTER: I have one or two points that I would like to get clear, Mr. Chairman.

By Mr. Carter:

Q. At the bottom of page 1 under the heading of "The Project", your memorandum reads:

"It is proposed to gather natural gas throughout the province of Alberta and, after supplying the actual consumers of that province who can be reached economically and allowing for the potential requirements of those areas, to transport such surplus gas as may then remain available to the Pacific coast to serve first the maximum number of consumers in British Columbia who can be reached economically, and, secondly, with such gas as remains available to serve consumers in the United States Pacific Northwest."

Is it a correct interpretation of that statement to say that it would give priority to the Canadian markets over the markets in the United States?—A. I would like to answer your question this way: there will be a priority on the Canadian market for their potential needs, and the rest of the pipe line capacity will be reserved for the American needs.

Q. It does not follow from this statement that you intend to serve markets in the order given in the statement, Alberta first, British Columbia second, and the United States third.—A. When you have a pipe line and there is enough gas in the pipe line, it is not a question of who gets it first. Everybody gets it. But when gas is scarce due to some calamity or break or something of that order, nearly always there is a cut-off of the industries for the moment. I think no one would object to that. There is a cut-off so that the domestic consumers can be kept going. But as far as we expect, the Canadian market, up to a certain limit which would be as large as was needed, will have the priority. We have to have it in that way because otherwise we would never get by the Federal Power Commission. There would be two markets, one called the Canadian market and one called the American market.

Q. You mention allowing for potential requirements of those areas. That I take it would be the provision you have made to take care of expansion of requirements in Alberta and British Columbia. Have you any figures on that, any percentages on that as to what you estimate the rate of expansion will be?—A. The figures I gave this morning are for five years from now. That is, the estimated expansion will be greatly above any consumption of gas now.

Q. I understood that yesterday you gave a ratio which said roughly that one-quarter of the gas would be distributed in Canada and three-quarters of it would be distributed in the United States?—A. At the end of five years, according to present indications, it will be a much smaller percentage than that, a considerably smaller percentage. But we were thinking of making a reservation of the gas up to that limit. That was our general thought.

Q. In other words, when your line comes into operation, less than one-quarter will be required in Canada?—A. There may be less than one-quarter, but we shall reserve the capacity of at least one-quarter to supply Canadian needs. That should be enough so far as we can see into the future.

Q. In other words you do not think that Canadian requirements will expand beyond that one-quarter of the capacity?—A. Oh, no, I do not say that. Then we can start to loop the line and build some more and by that time I think there will be so much gas that we will be able to take all the gas that we want out of Alberta.

Q. Thank you very much.

Mr. RILEY: I move we adjourn until 8.30 p.m., Mr. Chairman.

The CHAIRMAN: Until 8.30?

Mr. RILEY: Yes.

The CHAIRMAN: Is that satisfactory to the committee?

Mr. GREEN: Mr. Chairman, I think it is unfair to ask us to sit again this evening. We have sat twice today already.

Mr. McCULLOCH: It was you who took up all the time.

Mr. GREEN: We certainly can sit tomorrow so I do not see any reason why this committee should be asked to sit three times in one day.

The CHAIRMAN: Well, it is up to the committee to decide. A motion to adjourn is not debatable.

Mr. LENNARD: Mr. Chairman, if we have to sit tonight, I think some arrangement should be made whereby Mr. Dixon does not have to stand up for the whole period of the sittings.

The CHAIRMAN: We shall adjourn now until 8.30 tonight. All those in favour of the motion? The motion is carried.

At 5.55 p.m. the committee adjourned until 8.30 p.m. tonight, Thursday, April 27, 1950.

EVENING SESSION

The committee resumed at 8.30 p.m.

The CHAIRMAN: Gentlemen, we have a quorum.

Mr. A. F. Dixon called:

The CHAIRMAN: I think Mr. Higgins would like to carry on and make some real progress.

Mr. HIGGINS: I shall endeavour to, Mr. Chairman.

The CHAIRMAN: We hope!

Mr. HIGGINS: I am bringing in the salt air from the Atlantic. Actually, I have not got too many questions to ask. Being a very young person and ardent in my work, I read the brief submitted by the company and I read the evidence, and it is on the evidence that I want to ask a few questions.

By Mr. Higgins:

Q. On page 2 of your present brief, the second paragraph, you say:

It is estimated that the total annual sales of gas will be approximately 75,000,000,000 cubic feet, being a daily average of approximately 205,000,000 cubic feet.

Now, sir, if you will recall your evidence given before the Senate committee, the figures which were given at that time were different; and the total annual sales of gas were given as approximately 156 million cubic feet. Why would there be that difference?—A. We re-designed the line as far as compressor stations went and we found that by thus re-designing it we could get more gas through our 24 inch line.

Q. And how did you get the daily average? Is that the market?—A. That was the market worked out for each town. It was done by the Utilities themselves with our men working with them, and we assembled that data and that is the answer.

Q. That is, from October up to now there has been that re-adjustment?—A. Yes.

Q. Would it be fair to say that there would be an additional re-adjustment within a few months as well?—A. No, not much, because I do not believe we can squeeze any more gas through that line.

Q. So that is the maximum capacity you can get?—A. I see.

Q. Now I believe the original figures which you gave were predicated on a supply by three companies. That is why it is rather confusing to me because in your evidence before the Senate committee and in your brief you included the Imperial Oil of Canada, the Shell Oil of Canada and the California Standard Natural Gas Company. Now you have cut out Imperial Oil altogether and you have only the two companies for supply?—A. We are negotiating with Gulf, and we have been talking with a great many of the independents as well. The story of Imperial is that they wished to sell all the gas they could sell to the Utilities and suppliers at Edmonton. While our contract still had a considerable time to run it did seem very desirable from every point of view that Edmonton should be able to buy this gas. That would give Edmonton all the gas which they would own and they would not have to buy any for a very long period. And from the Imperial point of view it was that they could get some money immediately.

Q. Just for supplying Edmonton?—A. They sold it for \$2,300,000, I think, and they asked our consent, and we gave it gladly.

Q. You released Imperial from the contract?—A. We released Imperial from the contract.

Q. Was there any *quid pro quo* given for it?—A. Not a thing in the world except that I said we would be coming back wanting to get a contract from them in the Leduc region.

Q. Are they still talking with you in that way?—A. We are still talking with them.

Q. What are the other companies which operate from these two markets? Did you not say the Gulf?—A. The Gulf in Pincher Creek.

Q. Are they working on thirty day notice, or what is the situation?—A. The situation is that it runs, well, practically—let us call it from day to day. We have perfect confidence that they will keep their contract.

Q. Are there any special quotas from the different companies?—A. Yes.

Q. What quotas are you getting from the companies?—A. From both the Standard and the Shell our quota is 20 per cent of the through put of the line.

Q. And of the line you are to construct?—A. 20% of the capacity of the line plus 10 million more; and an additional 10 million under certain conditions, which practically amounts to 20 per cent of the capacity of the line plus 20 million cubic feet.

Q. And do the conditions you are talking about enter into this picture?—A. Not much. It is only the amount of drilling that they do. If they have it available and can fill the whole quota.

Q. But you have not anything to do with their drilling?—A. No excepting that Standard is under absolute obligation to drill 12 wells, and to keep up the supply.

Q. That is your contract with them?—A. Yes; and Shell has contracted to drill two or three wells, I cannot remember which.

Q. And California?—A. That is the California company, Standard of California.

Q. And with Gulf there have merely been talks?—A. Well, we have—

Q. Contracts?—A. No. We have been talking with them about it.

Q. And all your gas is to come from these three companies?—A. No. We expect to get gas elsewhere. We hope to get some gas in the course of time from all the gasoline plants in Leduc and in the other fields, if such plants are built.

Q. Has the Alberta Conservation Board made a determination?—A. They have a perfect right to tell us where we are going to get our gas and how much we are going to get from different persons.

Q. You have no control over the amount you can get. It is only what the board permits you, is it not?—A. Yes, that is correct.

Q. You talk about certain companies. One company which I see mentioned on page 4 of the brief is the Royal Trust Company. That company will be coming in, I presume, to do the financing?—A. No, not the financing, but to take care of the—

Q. The mortgages?—A. To act as trustees and do that type of work.

Q. And what about Lloyds Register of Shipping, Montreal? What is their position in the matter?—A. They would be the inspectors in the construction of the line.

Q. They would inspect the line?—A. They hope to, and we hope they do.

Q. That is a new one on me. Now, in page 4 I am not quite certain whether or not you explained to Mr. Green in connection with the \$350,000 that has been put up—

The CHAIRMAN: Can all the members hear?

An Hon. MEMBER: Not a word.

The CHAIRMAN: Will you please raise your voice? This is becoming more or less of a conversation.

By Mr. Higgins:

Q. On page 4 you answered Mr. Green today when he asked you about this \$350,000 that it had been put up by a group. I more or less got the impression, but I am not sure, that you yourself were chiefly financing it?—A. No, that is not correct at all. I have a comparatively small amount of money in it, but I have given all my time to the enterprise.

Q. You are really the promoter of it, in a sense?—A. I would say that I was the chief promoter. You may call it that.

Q. Are you prepared to say who are associated with you as a group?—A. Yes.

Q. Well then, who would they be?—A. I think we have it in our brief and in the bill.

Q. You mean these people who are mentioned in the bill?—A. Yes.

Q. So these are the people who put up this \$350,000?—A. They put up some of it.

Q. Did people other than the people mentioned in the bill put up money?—A. Yes.

Q. Who are the people other than the ones mentioned in the bill? Could you tell me that?—A. I should think so.

Q. Well then, would you tell me in that case? I am not pressing you?—A. There was the firm of Dominick & Dominick.

Q. And who are they?—A. They are in New York. And then there is Langley & Company.

Q. You mean the investment brokers?—A. And there is the Venezuelan Syndicate.

Q. Another investment concern?—A. No, that is an oil company, a very small oil company; and there is a Mr. Charles Leonard and his associates.

By the way, in respect to any of these companies, it is never the company—except in the case of the Venezuelan Syndicate—which is putting in the money. It is members of the firm.

Q. Langley for instance?—A. That is Langley, personally.

A. You mean Langley himself?—A. Yes.

A. Would they be large shareholders?—A. Yes.

Q. In the bill itself you have a Mr. McMillan mentioned. Is he himself personally interested in this?—A. Yes.

Q. Has he any connection with International Nickel?—A. With what?

Q. With International Nickel?—A. He is connected with a great many things. I think he is connected with that.

Q. And Mr. Austin Cottrell Taylor; is that the gentleman who is a director of the Bank of Canada?—A. I did not understand you.

Q. Is Mr. Austin Cottrell Taylor the gentleman who is a director of the Bank of Canada?—A. I do not know. He is connected with a great many industries in British Columbia.

Q. Is he connected with any other oil companies, to your knowledge?—A. I believe he owns shares in a great many oil companies but I do not think he has any active interest in any of them.

Q. Now, I think you were talking about going before the Board of Transport Commissioners in connection with these routes. You have not surveyed the Yellowhead Pass Route yet?—A. No.

Q. But is it your intention to survey that route before you go before the Board of Transport Commissioners?—A. Yes.

Q. How long do you think it would take you to make that survey?—A. Three months.

Q. Gentlemen, I believe I hear the division bell. I think it would be wise and expedient to adjourn until after the vote in the House is taken when Mr. Higgins will resume.

—(The committee adjourned for a vote in the House.)

The CHAIRMAN: Order, gentlemen, we will have Mr. Higgins continue.

By Mr. Higgins:

Q. I think, Mr. Dixon, when we broke off you were just telling me something about the personnel of the company, wasn't that it?—A. Yes.

Q. I think we had finished with that, had we not?—A. I think so.

Q. Well then, another matter was this: as I remember this afternoon Mr. Green asked you a question with respect to what would happen in so far as the

United States Federal Power Commission is concerned and the regulations with respect to the useage of this gas, and I think your answer was that that was something which would have to be determined; now, what exactly did you intend to convey by that answer?—A. I forget just what the question was.

Q. Again, sir, I haven't got the question down verbatim, but my understanding of it was that he asked you would the fact that the Federal Power Commission would have control over the pipe lines in the United States mean that they would be able to enforce the supply of the United States customers first before Canada, and you said that that is something that would have to be determined, I think that was your answer.—A. Well, sir, you put the question, I can't remember just exactly what it was.

Q. Do you remember what that was, Mr. Green?

The WITNESS: I think I could answer your question if you put the question direct to me.

By Mr. Higgins:

Q. Let me put it to you this way then: would the Federal Power Commission have any decision on the question as to who was to be served first?—A. That would depend on the agreement as made at the start; they would enforce the agreement.

Q. An agreement between, who?—A. The parties in interest; for example, between the distributing company in Vancouver and the pipe line company.

Q. I see.—A. They would enforce the agreement.

Q. Then I take your answer to mean that they would not necessarily insist on your supplying the United States customers first; is that what you intended to convey by that?—A. I do not think there would be authority to do that.

Q. No, but on that particular point Mr. Connolly in this evidence stated that he was unable to give us any expert knowledge as to how the American law affects this particular proposition of yours; are you in a position yourself to give us evidence on American law and how it would cover this contract?—A. No.

Q. The only reason I was asking you that question was for the purpose, as I indicated yesterday, of having an expert on American law come and tell us that, if none of the gentlemen here are able to do so.

The CHAIRMAN: He is certainly not a lawyer and it is only a waste of time to ask him that.

Mr. HIGGINS: I am satisfied with that. Mr. Connolly has said that he cannot tell us that and obviously this witness is not in a position to, but I am still wanting to have some expert on American law tell us that.

Mr. SMITH: Oh yes.

By Mr. Higgins:

Q. One other matter there is this, that in the questioning this afternoon Mr. Green asked you about this matter of gas in bond, as Mr. Connolly described it yesterday, and you were telling him it was more or less a question of legal difficulties, that you were not in a position to discuss the purely legal difficulties or any purely engineering difficulties in connection with this gas in bond?—A. None whatever.

Q. As a matter of information, will you tell us how you do it?—A. You take a certain amount of gas out at one point with a guarantee that it will be returned at another point. That is the property of the person who bought it before it got into the line and the pipe line would simply be the carrier and not the owner of the gas.

Q. Just to make it a little more clear, this line, and that is the only thing in which we are interested in so far as gas in bond is concerned, your pipe line

would be the carrier; you would sell so many billion or million cubic feet; is that right? Is that the way you put it?—A. No.

Q. Would you tell me then, please, exactly what you mean?—A. With gas in bond, that gas would be purchased by the company which is buying the gas in Trail or in Vancouver. At the point at which it would be leaving Canada the American company would simply transport that gas, it would not be their property, and they would deliver the gas at its destination.

Q. In other words it is in the same situation as a container or a box or anything else.—A. Yes, it would be just the same.

Q. That is the principle you had in mind when you referred to gas in bond?—A. Yes.

Q. I see. This is all strange to me and that is why I am asking it, but transporting goods in bond is a well known principle. We have a lot of gas here that is not in bond, as you can well imagine, Mr. Dixon.—A. Well, you said that.

Q. This afternoon also you were talking about when you crossed the border into the United States that you would have to apply to the Federal Power Commission for permission, and you said at that time you would apply for a given line; do I understand by that that you would apply to the Federal Power Commission for a definitely planned line?—A. Absolutely, we must have it planned when we apply.

Q. Why would you not be prepared to do the same thing here?—A. You could do the same thing there, it has been done in the Federal Power Commission.

Q. I see. Why would you not do it here in Canada?—A. That would be one way to do it. It might save a lot of controversy to do and apply in that way instead of giving them a choice.

Q. Is there any other reason? You said yourself that there are five choices here now.—A. What do you mean? I don't understand.

Q. You do have the choice yourself that you would be prepared to submit as one line?—A. No.

Q. You have just the one for the United States, haven't you?—A. Yes.

Q. Why would you not have one for this country?—A. We have five in this country, or six.

Q. I mean you very definitely have one choice for the United States, you must have one that you prefer over here.—A. I think we have been over all that at length already.

Q. Witness refuses to answer.—A. We have to indicate a direct choice in the United States.

Q. You mean the Power Commission there makes you define one line, is that it?—A. No, we would make an application for one and if that was turned down, say they didn't like it, we would make an application for another one.

Q. Apply for one line at a time, is that not their regulation?—A. No, but that is what is done, I have seen it.

Q. I see.—A. There is one case I do know of where they applied for two.

Q. There are no particular provisions which require that you supply them with four or five different lines so that they can make a choice?—A. There is no provision for it, but I think it could be done.

Q. So therefore you are only doing it here because of the controversy?—A. No.

Q. Then why are you doing it?—A. To give the Board of Transport Commissioners a chance to decide what they want to do with it. There are a great many advantages in one route as compared with the others, and vice versa.

Q. Well, Mr. Dixon, why would you not follow the same procedure as you are following over there and apply for one at a time?—A. Because we didn't think it necessary, that that would be the best method of doing it.

Q. But I asked you why?—A. We have answered that.

The CHAIRMAN: I do not think we need all this endless repetition.

By Mr. Higgins:

Q. Now, you have told us today that you know of no case where pipe lines have anything to do with the development of the country, I think that is the statement that I have taken down here?—A. I didn't say that, I said that so far as I know pipe lines have had absolutely nothing to do with the development of a country.

Q. And you still reiterate that thought?—A. Yes.

By Mr. Murray:

Q. Mr. Chairman, that does not refer to the lines themselves but rather to the terminals.—A. That refers to the territory, to the development of the country through which the pipe line is passing, to which I submit this suggestion cannot possibly apply. I know of no case where that applies with one exception, where you could say that, a line was brought into a country that did not already have the industry there.

Q. In any of these five lines that you have now in mind is there any possibility that any of these lines would develop the country through which they pass?—A. They would develop the industries through which they pass. I think that this line would have a great effect in helping the development of the country around Trail.

Q. Which line would you say would do most to develop the country through which it passes, which of these plans which you put in here?—A. I do not know.

Q. I see. That point really has not entered into your considerations at all?—A. No, it is the terminal point and the amount of gas you can sell which is essential,—the greatest benefit to the greatest number! That is what makes it more profitable; that is the determining factor.

Q. As you say here on the question of potential requirements to areas which can be reached economically, do I understand that by using the ratio of one thousand people per mile that that there would be an economic basis to work on?—A. It is not the number of people, generally. It is the difficulty of bringing gas any distance unless you have an industry at the end of that line.

Q. So that particular ratio is not of any particular value, a thousand people per mile?—A. That could not be utilized with any degree of precision.

Q. It is an entirely different matter from supplying electricity?—A. A different matter.

Q. You would not only have to have that number of people but you would also have to have an industry?—A. In certain cases.

Q. Today Mr. Green was putting to you certain evidence that was given at the hearing of the application of the Westcoast Transmission Company, Limited, in the province of Alberta and he put to you a quotation from a newspaper clipping with respect to costs per thousand cubic feet. I want to get the record clear on this. You told him that these figures were fantastic, the figures he gave you at that time. At that time, he read, the total cost in Vancouver would be 29·2 cents per thousand cubic feet and in the United States 35·6 cents per thousand cubic feet?—A. That is very wrong.

Q. Why I want to be sure about that is that we do not want to have any mistake in the matter. I have the record here, or what purports to be the record, and these figures seem to be more or less correct in the newspaper clipping. I will read the question and the answer from the record. I believe the name of the gentleman who was examined was Poor. He was being examined by a

Mr. Whittaker after a direct examination by Mr. McDonald and the question by Mr. McDonald was this:

Just one question arising out of the cross-examination and that is, as Mr. Nolan brought out, Mr. Poor, that the price, the total price at say Bellingham or somewhere in Washington was 35·6 cents plus the price of the gas?—A. That is right.

Q. What is the price at the Canadian markets, say Vancouver?—A. At Vancouver it would be 23·3 cents plus a theoretical gathering cost of 5·9 or 29·2 cents

The WITNESS: That was the cost of transporting the gas.

Q. No, he says at Vancouver it would be 23·3 cents plus a theoretical gathering cost of 5·9 cents or 29·2 cents altogether.—A. But that did not include the cost of gas in the fields. That testimony is wrong.

Q. That is allright. The point I wanted to make is that Mr. Green, who read it in all honesty, thought it was right and he based his actual examination on it.—A. I may say that at the end of that hearing it was shown that the actual price of gas, as I remember it, in the United States was somewhat over 44 cents, I think, and about 39 cents in Vancouver.

Q. Who is this Mr. Poor, is he an engineer?—A. He is an engineer.

Mr. APPLEWHITE: Mr. Higgins has based his questions on some quotations. Would he kindly put into the record from what these quotations were taken?

Mr. HIGGINS: They were taken from a copy of transcript headed

The Province of Alberta—Petroleum and Natural Gas Conservation Board—In the matter of the Gas Resources Preservation Act—AND IN THE MATTER OF the application of Westcoast Transmission Company Limited and Westcoast Transmission Company Limited (Alberta Incorporation) for a permit authorizing the purchase and sale of Natural Gas in the Province of Alberta for transmission to points in the Province of British Columbia and, the States of Washington and Oregon in the United States of America.

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Mr. GOODE: With whose courtesy is that booklet issued?

Mr. HIGGIN: I did not say.

Mr. GOODE: Does it not say so on the bottom of the page?

Mr. HIGGINS: Yes, it reads "Compliments of Westcoast Transmission Company, Limited".

Mr. GOODE: I just wanted it on the record.

Mr. HIGGINS: If the record is incorrect—

Mr. GOODE: I am not questioning you, Mr. Higgins.

Mr. APPLEWHITE: The only reason I asked you for that information is because of the suggestion that some of the evidence contained therein was not correct.

Mr. HIGGINS: It appears to be a correct transcript.

The WITNESS: This volume does not include all the evidence.

Mr. HIGGINS: Well, if this Westcoast Transmission Company Limited did this deliberately,—

Mr. ROBINSON: Was the first question that was asked an actual question? Did they say that was the cost?

Mr. HIGGINS: It is a whole series of questions and answers, supposedly a copy of the transcript of the evidence taken.

Mr. ROBINSON: Was the question you asked the witness hypothetical?

Mr. HIGGINS: No, it is cross-examination, apparently a re-examination by Mr. McDonald, who was solicitor for the company, I presume.

Mr. ROBINSON: Would you read that first question again?

Mr. HIGGINS: Yes:

Q. Just one question arising out of the cross-examination and that is, as Mr. Nolan brought out, Mr. Poor, that the price, the total price, at say Bellingham or somewhere in Washington was 35·6 cents plus the price of the gas?—A. That is right.

It does appear to be a transcript, that is correct.

The WITNESS: I misunderstood you. You did not say plus the price of the gas in all these cases.

By Mr. Higgins:

Q. Mr. Nolan was your solicitor, was he not?—A. Yes.

Q. It was on Mr. Nolan's examination that this cross-examination was based?—A. Yes.

Q. The second question was, "What is the price at the Canadian markets, say Vancouver?" to which the answer was: "At Vancouver it would be 23·3 cents plus a theoretical gathering cost of 5·9 or 29·2 cents."—A. Then, plus the price of the gas.

Q. Well, what is the price of the gas?—A. We are paying about ten cents. They were calculating a five cent price.

Q. I see. You think they are wrong anyhow?

The CHAIRMAN: Gentlemen, we are not considering—

Mr. HIGGINS: It was merely to get the record straight.

The CHAIRMAN: Let us go on further.

By Mr. Higgins:

Q. In your testimony before the Senate committee you said this: "I should think an agreement would be insisted upon by the Canadian authorities that the gas would undoubtedly go into British Columbia in the amounts required." I wonder if you would explain what you meant by that answer?—A. The same thing I have been saying all the time—that there would be arrangements made that British Columbia would get all the gas it requires.

Q. Who are the Canadian authorities to whom you refer?—A. I do not know.

Q. Who did you intend to be the Canadian authorities, when you made the statement?—A. I thought they would be the Board of Transport Commissioners.

Q. The Board of Transport Commissioners would not have anything to do with it?—A. I do not know—there certainly must be authorities—

Q. You made the statement; what was in your mind?—A. The Board of Transport Commissioners.

Q. They only have the directing of the route of the line?—A. I thought they had a great deal more to do than that.

Q. You tell us now the authorities you meant were the Board of Transport Commissioners?—A. The authority I thought at that time was the Board of Transport Commissioners; maybe I was wrong.

Q. Was parliament not the authority you referred to?—A. No.

Q. You mean there is no authority there?—A. No, but they certainly would not be the authority for such a small detail as that.

Q. A small detail—that is the whole argument in this matter—the question of sufficient gas for British Columbia and the supplying of gas for British

Columbia. There would be no trouble at all if British Columbia was satisfied in this matter. That is why I am asking you on this point—you know that yourself?—A. What is your question?

Q. I ask you who are the authorities that would have to be satisfied that British Columbia was getting the amount of gas required?—A. I thought the Board of Transport Commissioners would have that authority.

Q. You say the authorities you meant are the Board of Transport Commissioners?—A. Yes.

Q. What is your knowledge of the Board of Transport Commissioners, may I ask?—A. I have read the law but I must admit that I have forgotten it.

Q. You do not know what their duties are?—A. In general—they have charge of transportation.

Mr. CARROLL: Is not that a matter of statute?

Mr. CONNOLLY: It is a matter of law.

Mr. HIGGINS: Yes, but also Mr. Dixon is a man who knows the Board of Transport Commissioners had no control over this matter.

Mr. CONNOLLY: I think Mr. Dixon might have reason to think the Board of Transport Commissioners would certainly have a great deal to say about the matter.

Mr. HIGGINS: As to the actual gas that was going to British Columbia?

Mr. CONNOLLY: Yes, although the Fluids and Electricity Act does apply. I should think that people in Alberta, too, would have a good deal to say. There will be contracts and agreements and so on. But why pin Mr. Dixon down on a point like this? He is not a lawyer; he will do whatever is required.

Mr. HIGGINS: But he must know the authorities whom he meant? Mr. Dixon is too well versed in this matter not to know whom he was talking about.

Mr. CONNOLLY: Mr. Dixon has said that the Board of Transport Commissioners was the authority.

Mr. GOODE: Mr. Dixon, you have mentioned a figure as a penalty to British Columbia and the city of Vancouver, and I wonder if we might get some information on that—

Mr. MAYBANK: Louder please.

By Mr. Goode:

Q. I would like the privilege of making this statement myself, without the assistance of my friends down here.

You mentioned \$1,000,000 a year that it would cost Vancouver on the price of gas, taking into consideration the U.S. line and the all-Canadian route. You mentioned that as an approximate figure?—A. I mentioned \$1,000,000? I said it would be somewhere between \$700,000 and \$1,200,000 but that it was a very hard figure to calculate.

Mr. MURRAY: Extra?

The WITNESS: Yes.

By Mr. Goode:

Q. Would that pertain over the twenty years or the life of the project?—A. Over the entire life of the project.

Q. For the same amount, or would it increase or decrease?—A. I think it would be fairly constant.

Q. I want to ask you something about employment in regard to the taking of the all-Canadian route and starting to build this pipe line. Is it a fair question to ask you how many men would be employed in the construction of that line? You said, I believe, that it would take three years to construct. How many men do you think would be employed on the all-Canadian route—just

in round figures, if you do not mind?—A. It is hard to say anything at all accurate but I should say on the entire route there should be something around 1,200 men.

Q. If the route was only built from Pincher Creek—from the end of the grid system to Kingsgate—how many men would be employed?—A. There would be employed say half of that number, but for a shorter time.

Q. Now, as far as maintenance is concerned, Mr. Dixon, how many men per mile—and I know this question may be difficult because I do not know very much about pipe lines—but on the average, how many men would be permanently employed per mile in pipe line maintenance?—A. I think somewhere in the neighbourhood of one-half a man per mile.

Q. Somewhere in the neighbourhood of one-half a man per mile. I took the trouble before I came here to put through a telephone call to Victoria. I wanted to check your idea about steel mentioned in regard to the Dominion Bridge. I had in mind that the West Coast Transmission Company mentioned that their steel would be made in the United States. Now, Dominion Bridge in Vancouver is in my riding and I want to know something about employment. I want to put this on the record. Their monthly payroll now is \$100,000 per month and they consider that if they got this contract 250 men would be employed for one year, and their payroll would increase fifty per cent.

Mr. SMITH: Is this a question?

The CHAIRMAN: Well, others have made statements.

Mr. MURRAY: I would like Mr. Goode to qualify his last statement about the number of men who would be employed.

Mr. GOODE: Have I your permission to answer it, Mr. Chairman?

The CHAIRMAN: I think you have made the statement and it will be found in the record. I do not think there is any need of repeating it. Mr. Herridge has the floor.

By Mr. Herridge:

Q. This morning I asked Mr. Dixon a question. The city of Nelson has a population of approximately 10,000. I asked if it would be served on this line and I think the answer given was yes. But in listening to Mr. Dixon's review of the various cities and towns which would be served along the line, I failed to hear him mention the city of Nelson, and I notice that the city of Nelson is not indicated as being served on any of the maps presented to this committee.—A. The city of Nelson is not far from Trail and we certainly expect to serve it but not directly. That is an error. We did not have it in our list because in conversations with the British Columbia Electric Company, they expect to serve that city, and to take the gas as a unit for all those towns. They are considering that. That is an error that it is not in. We expect to serve Nelson.

Q. Then I have your assurance that the city of Nelson will receive service from this line?—A. Yes.

Q. Thank you. Now, has the Canadian Pacific or the Consolidated Mining and Smelting Company, Limited, given any indication that they intend to invest in your company?—A. No, they have given no indication that they will invest in the company.

Q. Thank you.

The CHAIRMAN: Mr. Harkness?

Mr. HIGGINS: Mr. Chairman, on a question of privilege: there appeared to be some doubt about the transcript. Let me say that the transcript I read from was by courtesy of the power company. It is an exact transcript supplied I believe officially. At least there is no notation on the bottom, but I am told that it comes from bona fide sources, and the exact wording which I read is the same that is contained in the official transcript.

Mr. APPLEWHAIT: Mr. Chairman, I would like to make it clear to Mr. Higgins and to the members of the committee that when I challenged the correctness of the things being stated by the witness I was not suggesting that Mr. Higgins was producing something which was not an exactly correct transcript.

Mr. HIGGINS: But the suggestion was conveyed when I was asked what was at the bottom of the transcript.

Mr. CARROLL: I want to find out whether or not it is the intention, Mr. Chairman, to put this evidence in the record of this committee? If so, I object to the whole proceedings. It cannot be evidence before this committee.

Mr. HIGGINS: I am not asking that it be put in. I merely brought it up to clear my own reputation in that particular matter.

The CHAIRMAN: I think you have cleared yourself, and if you are not particular about it going in, we can leave it out. Now, Mr. Harkness has the floors.

By Mr. Harkness:

Q. Mr. Dixon I think you have mentioned several times that the construction of a pipe line does not cause development, by which I understand you to mean population development or industrial development. Are you familiar with the development which has taken place in the province of Alberta during the last 30 years?—A. Yes.

Q. Would you say that any part of that development has been due to the construction of a natural gas line in that province?—A. There are no big natural gas transmission lines in the province of Alberta.

Q. Well, Mr. Dixon, you know that there is a transmission line from the southern part of the province up to Calgary with which another line from the Turner Valley ties in, and there is a transmission line from the gas field which is east of Edmonton into Edmonton and which runs down to Red Deer; and while those are not extremely long pipe lines, nevertheless they are several hundred miles in all, and I would like to ask you whether you consider that the construction of those pipe lines had anything to do with the development which took place in Alberta.—A. Yes, but I know of no development which took place along the lines of your Kinsella field to Edmonton due to that gas line, nor do I know of any development which took place along the line to Calgary due to the laying of that line, that is to say, along the line. That is what I was saying.

Q. Have you ever heard of the city of Lethbridge?—A. Yes.

Q. Would you admit that a considerable amount of industrial development has taken place there as the result of gas coming from—A. That is not due to the laying of a transmission line. It was brought about in Lethbridge due to the enterprise of the people there utilizing the gas.

Q. My suggestion, Mr. Dixon, is that we have an amount of development in Alberta which has been due to a very considerable extent to the construction of the gas lines which we have there.—A. Development in Calgary and Edmonton has certainly been added to by those pipe lines.

Q. And Lethbridge?—A. And Lethbridge.

Q. And Medicine Hat?—A. But those towns, all of those towns with the exception of Edmonton have gas very close to them.

Q. But Calgary certainly did not have gas close to it, until comparatively recent times. Our gas there all came from the southern area east of Lethbridge.—A. That was in very small volume.

Q. Until the Turner Valley was brought in. In any event, the point I wanted to bring to your attention was this fact that in my opinion at least, and I think in your own judging from what you have said now, a good deal of the development that has taken place in Alberta has been due to the fact that gas has been available.—A. Well, you can look at it in this way: that a great deal of the development in Alberta is due to oil and gas.

Q. But gas was in use there long before oil was there in any quantity and the development actually, I would submit, has taken place. I am talking about industrial development chiefly, and population growth.—A. In this particular case it would be very hard to determine because other fuels were very cheap in that region and we cannot say what was due to gas. And except for the ammonia plant I do not know of any plant there which was due directly to the gas.

Q. Would you concede that conditions in Alberta and Saskatchewan are relatively similar except that in Alberta we have had gas and in Saskatchewan they have not.—A. I do not like to get into a discussion of the similarity of two Canadian provinces.

Q. Well, nevertheless the fact is—

Mr. MURRAY: What about the C.C.F.?

Mr. HARKNESS: We have very much more development in Alberta than there is in Saskatchewan and I think that gas is the answer.

Mr. BYRNE: My understanding of this gathering is that it is to receive information from the witness. I have heard on many occasions the member who is speaking now give his opinions on the pipe lines during the last four or five months in the House of Commons and I must say that I am not in the least interested in his opinions but I am interested in the opinions of the witness.

Mr. HARKNESS: The witness has made a certain statement and I think I have a perfect right to question him on that statement.

The CHAIRMAN: I must ask, however, that the discussion be confined a little more to the subject of the bill and not to too many detours.

Mr. HARKNESS: This is an important statement and one on which some question and comment is required.

By Mr. Harkness:

Q. How, to look at a different phase of the matter, would you consider that the building of a gas pipe line through the area in which there was either very little or no oil and gas development, where no wells had been drilled, would promote the development of that drilling?—A. I know of a great many long lines running from Texas all the way to Los Angeles. One line has been there for some time now. I know of the Panhandle Line, and I know of the Northern Natural line to Minneapolis and other lines. They start at the gas fields, and the territories along those routes as far as I know, have never been developed because of those pipe lines.

Q. I think you are getting around the question a little?

The CHAIRMAN: I think he has been very good. He has answered the questions at far too great length and given you far too much for your money.

By Mr. Harkness:

Q. Let us put it in a more definite form. If the gas line were going through the northern part of Alberta and British Columbia where there is a certain amount of oil and gas development now, in your opinion would the existence of that pipe line promote further drilling?—A. If there was a line there, the existence of the gas pipe line would promote drilling for gas, yes.

Q. That is all I want. That is fine. Now, in your statement of this morning or yesterday, I have forgotten which, you said that you were planning on delivering 11 billion cubic feet to British Columbia and 62 billion cubic feet to the United States?—A. I do not think that is quite right.

Q. Then what was it?—A. It was 11,500,000,000, if the consolidated took the small estimate; but if they took the large estimate, it would be 2 million more than that.

Q. But on the basis of the smaller estimate, just approximately—I do not care for a few hundred thousands—but just approximately, it would be 11 billion

as against 62 billion? Now, I think it has already been established also within the provisions of your statement, that if United States consumers are going to get their share of this gas there will need to be a treaty of some sort entered into?—A. I never used the word treaty.

(On the division bell ringing):

Mr. SMITH: I move that we adjourn to the call of the chair.

Mr. MAYBANK: I suggest that we come back after the vote and sit here all night if need be to get this through.

The CHAIRMAN: What is the pleasure of the committee?

Mr. MURRAY: I think we should get on with the bill. We have heard everything that can be said about the bill either for it or against it and I think we should get on with the bill.

The CHAIRMAN: If that is your wish we will adjourn until after the vote is taken.

Mr. MURRAY: I move we proceed with the bill after the vote is called.

Mr. MAYBANK: It is understood that we are to come back after the vote?

The CHAIRMAN: That is right, that is the usual procedure.

Mr. MAYBANK: And be prepared to sit all night to get this through.

(The committee adjourned for a vote in the House.)

The CHAIRMAN: "As you were", gentlemen.

Mr. MAYBANK: I wish to make a motion, Mr. Chairman.

Mr. HARKNESS: When the committee adjourned—

The CHAIRMAN: Mr. Maybank has the floor.

Mr. MAYBANK: I was about to make a motion.

Mr. HARKNESS: I think I had the floor and I would like to finish with these questions that I am asking Mr. Dixon.

Mr. MAYBANK: Who has the floor, Mr. Chairman; Mr. Harkness or I?

The CHAIRMAN: Mr. Harkness I think has a right to complete his examination, and as soon as he has finished I will give you the floor.

By Mr. Harkness:

Q. Mr. Dixon, when we adjourned I was just at the point of asking you some questions in connection with the 11 billion cubic feet that you estimate you are going to provide to British Columbia as compared with 62 billion cubic feet to the United States, and you, I think, had just said that you did not know whether a treaty would be required or not to apportion this amount; but at any rate I think your evidence has been that if not a treaty an agreement of some kind would be necessary; is that not the case?—A. Is that a statement of fact or is that a question?

Q. I am asking you if that is not so, if that has not been your evidence?—A. I do not think that is exactly what I said.

Q. Well then, how would this apportionment as between the two areas be arrived at if it was not through a treaty or an agreement?—A. I do not know how it could be arrived at unless there was an agreement. I did not say treaty.

Q. I asked you if it would not be either through a treaty or an agreement and you said you did not know, that it would be either that of an agreement of some kind.—A. I agree that there must be an agreement beforehand that B.C. will get a certain amount of gas which will be calculated to supply all of their present and prospective needs and the rest of the capacity of the line will be divided to the users in the United States.

Q. Well, let us assume that there might be an increase in the demand for gas in British Columbia, would there not have to be provision in such an agree-

ment to take care of that increased demand; and did you not indicate to the committee that the relative proportion would be 6 to 1?—A. I did not say that it would be 6 to 1; I said we expected that it would be something like 25 per cent to 75 per cent.

Mr. MURRAY: You said that Canada would have the preference.

The WITNESS: They would have priority in so far as we can estimate what Canada is going to need. At the moment I doubt if anybody could make an exact estimate of that.

By Mr. Harkness:

Q. When you were giving evidence in connection with the population from rural B.C. you stated that the proportion going south from Munroe—and that would include Seattle, Tacoma, Portland and so forth—would be a 20-inch pipe line—that large area to the south would be your chief market, is that correct?—A. Yes.

Q. In Seattle, Tacoma, Portland and so forth?—A. That is the largest market, a good part of it at least, if you include Seattle and Portland together it is the larger market.

Q. Yes, then you say the line going north to Vancouver would be a 22-inch line. Why do you need a larger line going north to Vancouver than going south to Seattle and Portland where you have the largest market?—A. So we will have the pressure to supply Vancouver and other points.

Q. It would seem to me that if you are only going at any time to envisage sending 25 per cent of your gas to the north that you would not need a larger pipe line going north than you have going south where you are going to send 75 per cent of it?—A. We had this worked out by very competent engineers and it is a matter of where you need some pretty high pressures on the way to Vancouver so that you would have enough to feed the gas to inland points.

Q. That is the explanation of that larger line in Canada, because you need higher pressure?—A. We need a lot higher pressure crossing the international boundary to take care of the line going from Vancouver up the Fraser Valley.

Q. Then, to go on to another point. I think you stated that you would serve 37,000 consumers in British Columbia. Now, I take it from that you mean 32,000.—A. No, 32,000 population outside of the city of Vancouver; there would be a population of 32,000. I think I made an error there, I understand that Nelson alone has a population of 30,000 and that is not included.

Q. In other words, you figure that you will serve 32,000 customers in the interior of British Columbia?—A. Yes, at consumer points outside of Vancouver which will be served by that line.

Q. And that does not include the town of Nelson?—A. No, that does not include Nelson.

Q. Then have you any figures as to the number of consumers you expect to have throughout British Columbia including the City of Vancouver?—A. You mean we could need a bigger pipe line?

Q. No, I mean the number of customers that you are likely to have on the line.—A. We had those figures given to us in great detail, and also estimates as to how many there will be additional as time goes on.

Q. The reason I asked the question is this, Mr. Dixon; at a hearing before the Alberta Natural Gas and Petroleum Survey Board the Canadian Western Gas Company presented evidence through their president on that point which to me is very interesting. I come from Calgary, the city of Calgary, and I am pretty interested in this gas matter from the point of view of Calgary.

And in the evidence that he presented he produced figures to show that the number of outlets that they had for that system, which includes Lethbridge and the towns between Calgary and Lethbridge was, in 1949, 38,000 and the total amount of gas which they supplied to those 38,000 outlets with a total population,

as a matter of fact, of 143,700—that was the population of those cities and towns,—the amount of gas they supplied to those 143,700 was a total of something over 20,742,000,000. Now, that is just about twice as much as you envisage for use in British Columbia; in other words, at the present time the city of Calgary, south of Lethbridge, and the small towns between, with a population of one third of British Columbia, are using twice as much as British Columbia is envisaged to use.—A. Yes, the city of Calgary has the lowest priced gas, with the exception of Edmonton, of any town in the North American continent, of any town or city of any considerable size. Those figures also include industrial loads, the generation of electric power. The consumption per meter in the domestic service in Calgary is extremely high on account of the cheap gas and rigorous climate.

Q. I would not agree with you on the rigorous climate, of course.—A. Wherefore they consume for domestic use several times as much gas per outlet in Calgary as they would in Vancouver. Also, they have a plant there that makes ammonia from natural gas, which consumes, I believe about ten to twelve million a day, wherefore, the figures there are not exactly or not comparable at all on the basis of population with what would be consumed in Vancouver. The figures that we gave you for Vancouver are not our figures, they are the figures of what the British Columbia Electric Company said they would want at the end of five years.

Q. Well, on the basis of figures of consumption which actually occur in Alberta, would you not think that this figure of eleven million, which includes some three and a half million for Trail— —A. No, you are incorrect in your statement, the eleven million is eleven and a half million.

Q. Eleven and a half million?—A. Also there is a possibility of two and a third billion being added to that.

Q. But just on the figures you have given, if you take off the three and a half billion that is going to be used at Trail (it leaves you with only eight million for all the rest of the province, particularly the city of Vancouver and apart from commercial consumption. In Calgary the total commercial consumption—as a matter of fact, you have quoted a figure of ten million and some odd—the figure given by Mr. Browning is 345 billion, less than half you quoted the nitrogen plant was using.—A. I said ten to twelve million a day.

Q. Oh, yes, these are yearly figures they are talking about here.—A. Is that ten million M.C.F.'s? I think there is some misunderstanding.

Q. M.C.F.?—A. Yes. That is four billion a year, you must mean. I think we are confused with M.C.F., between billions and millions.

Q. In any event, would you think that it was at least probable that this figure of consumption for Vancouver particularly was probably very much less than what the actual consumption would be?—A. I would hate to dispute with the engineers of the British Columbia Electric. They ought to know their work there, and it corresponds also very closely to corresponding communities to the south in such places as San Francisco.

Q. Well, I will leave that point there. Now, there has been some talk and some questions in connection with an oil line from Alberta to the Pacific coast. Would it be cheaper to build an oil line along a route which had already been followed by a gas line in the event of an oil line being required rather than putting an oil line in a completely new location?—A. Well, that depends. Ordinarily, it would be better for operation and several other purposes. If the gas line goes up and down hill then it would probably be that you would lay the oil line, trying to get it on grade. With a gas line, grade makes no difference, but with an oil line every time it goes up you must pump the oil up and you can only use a limited amount of that energy to bring it back down again because you have to check the fall of the oil in the pipe when it is coming down or you would break the pipe. In some cases it would be ideal but in other cases it would not be so.

Q. Going from Alberta to the west coast any pipe line has to go up hill a lot?—A. Yes, but you do not want to have it doing that too much.

Q. And I suppose you would run a gas line as little up and down as possible?—A. That makes very little difference.

Q. In any event, if the two did run side by side, the cost of construction of the oil line would be cheaper, that is if the oil line was run alongside the gas line?—A. If it was in a proper terrain, yes.

Q. Generally speaking, though, it would be an advantage as far as the subsequent building of an oil pipe line is concerned if it could follow the route of a gas line already there?—A. In general that is correct, with the qualifications I gave.

Q. Well, in connection with the gathering system, you said on page 2 of the brief that the proposed company would be closely associated with the Alberta Natural Gas Company. You told us that the cost of that grid system would be \$26,667,000. Now, I believe that was the same figure that you gave in a submission which was presented to the Alberta Natural Gas and Conservation Board?—A. It is not exactly the same figure. We had been working on it and reducing it. That will supplant that figure.

Q. Well, the figure you put before the Alberta Gas Board was \$26,000,000 odd, was it not?—A. I forget, but this has been reworked, and different sized lines have been calculated; I think we have made a better design this time.

Q. You do not remember whether the figure you put before the gas board in Alberta was \$26,000,000 or not?—A. I cannot remember—as my memory serves it was somewhat more than that.

Q. As my memory serves me it was just over \$26,000,000. I have not got the proceedings with me but I read them. At the time you made that suggestion you were figuring steel at a price of \$140 a ton. You told us today, or yesterday, that the cost of steel would be \$185 a ton. How is it the cost here and the cost put before the gas people in Alberta is approximately the same—\$26,000,000, with the difference in price of steel of from \$140 to \$185?—A. It is a different project; a different design; a different amount of steel. The price of steel, in any case, has increased a great deal, and so have freight rates.

Q. The point I was getting at is why the two figures are the same in spite of the fact that the cost of steel is so much greater?—A. If the two figures are the same it is purely an accident because they are based on two different constructions. The design of the line has been entirely changed since we made our submission in Alberta.

Q. Some of the other costs in the line have been reduced in the later estimate. Steel has gone up so some of the other costs must have gone down?—A. As I say, you cannot compare them; there is no comparison between the two sets of figures.

The CHAIRMAN: Mr. Harkness, I would like to ask you if you would be good enough to confine your remarks more to the topic of the bill. I do not believe that the price of steel and all that sort of thing is relevant to what the committee is asked to do. You could save a great deal of time for everybody concerned if you would be good enough to keep to the bill—and if not, I will have to rule that you are out of order.

Mr. HARKNESS: We have had a great deal of evidence as to what the cost of these various lines would be—what the cost of the grid system was and so on. I was just getting at the cost of the grid system and it is quite evident that steel is an important item in that.

Mr. APPLEWHAITES: Is the grid system to come under the charter to be granted by this bill?

By Mr. Harkness:

Q. As far as the grid system is concerned, have you had any conversations with the two operating gas companies in Alberta—the one serving Calgary, and

the one serving Edmonton—as to whether they would be prepared to take their gas from your grid system if you constructed it, or have you any reason to believe they would sooner get their gas by other means?—A. I have had many conversations extending over two years.

Q. What is the effect of those conversations? Are those two gas companies there at present favourable to your scheme, or would they prefer to get gas in some other way?—A. I think, as of the moment, they apparently want to get gas in some other way.

Q. In some other way. Would that have a material effect on whether you build your grid system or not?—A. No.

Mr. APPLEWHAIT: I do not want to rise too often on a point of order, but, on page 2 of the brief it says that there is an Alberta company incorporated for the purpose of operating a natural gas gathering grid system. If this company we are dealing with is not being incorporated for the purpose of operating a grid, then let us keep to a discussion of the bill?

Mr. HARKNESS: Mr. Chairman, I would submit that Mr. Dixon has given us evidence in connection with the grid system—it is an integral part of this scheme. The Alberta Natural Gas Grid Company is a subsidiary of the company which is seeking incorporation at present and therefore the questions are in order.

The CHAIRMAN: I think you should proceed with the main topics of the bill. I quite agree with Mr. Applewhait, and I think most of the members do, that you should make your remarks relative to the bill and its main provisions. There is a good deal of repetition going on now.

Mr. HARKNESS: My next question, and the only one I have on that, is: if the Alberta gas companies at present in operation are not prepared to deal with you in this matter of taking gas, as you say you understand, do you think you have any sort of a chance of getting a permit from the Alberta government to construct this grid?

The WITNESS: Yes.

Mr. HARKNESS: All right, but I would think myself that it is very doubtful.

The CHAIRMAN: Mr. Maybank wishes to have the floor for a moment.

Mr. MAYBANK: Mr. Chairman, I wish to move that at the next sitting of this committee we shall commence to consider the bill, clause by clause—and that is the end of the motion.

That is to say that at the conclusion of the sitting of the moment we will not proceed any further with the taking of evidence. It is not my intention to express any argument with regard to these things—I feel there may be other people who will wish to argue about them. My own view is that we have had a masterly presentation of triviality long enough.

Mr. McIVOR: I second the motion.

Mr. SMITH: I wish to speak to the motion, Mr. Chairman, and I am opposed to it. Among my many good reasons for opposing it is that the chief hatchet-man for the government has come down here to start the steam roller in operation.

Mr. MURRAY: I think that word should be withdrawn—it is very wrong.

Some Hon. MEMBER: Withdraw, withdraw.

Mr. MAYBANK: Mr. Chairman, since the remark applied to me, I am the one who might expect to have asked that it be withdrawn—if it were to be withdrawn at all. Thank you Mr. Murray for taking my part that way—but may I say that I do not care whether he withdraws it or not. All the kind of triviality, and stupid talk—to use one of his expressions,—just passes off my back like water off a duck. I pay no attention; I just consider the source.

Mr. MURRAY: It is not a matter of personalities or whether the honourable gentleman is aggrieved, or not: It is lowering the standard of parliament to

introduce into a discussion of this kind the statement that a man is a hatchet-man. To go into the alley of Hong Kong—

Mr. FERGUSON: What does "hatchet-man" mean?

The CHAIRMAN: Order. Mr. Smith has the floor.

Mr. SMITH: I was endeavouring, to speak to the motion, but apparently the cariboo have not yet shed their antlers and they have got to get into a fight that is not theirs at all.

I simply come to this: I have been sitting here all day with some questions that I wanted to ask. I think the committee will agree that I did have quite a long cross-examination yesterday, but I think they will agree too that I did not waste any of this committee's time.

Some Hon. MEMBERS: Oh, oh,—

Mr. MAYBANK: Go on.

The CHAIRMAN: Order.

Mr. SMITH: There is apparently some disagreement with that statement, and I notice the agreement becomes vocal from the lips of the same gentleman who introduced the steam roller a moment ago, as he has tried to do on two or three occasions in the sittings of this committee.

I shall answer your question, if you like. So I am suggesting that we pursue our normal course, and I do want to ask some questions. If I did not do that—it is now getting close to 11 o'clock and tomorrow morning—

Mr. MAYBANK: We do not need to quit at 11 o'clock.

Mr. SMITH: You may not, but I do. I am an old man and you are one of those young fellows who can still wield a good hatchet. I am still sure it would save the time of the committee.

Mr. MAYBANK: After all the rest you had today, you ought to be able to keep going for a long time.

The CHAIRMAN: Order!

Mr. SMITH: My position is this: I think if I were permitted to study these various notes—all I have been able to do was to make notes of what the witnesses said as they went along—I am sure in so far as I am concerned that if I had the opportunity this evening of looking over what I have got here I could do what I have to do in a very short time—not what I have to do but what I intend to do, in a very short time tomorrow morning.

Mr. MAYBANK: No. Do it tonight. Fifteen minutes would serve you.

Mr. SMITH: Yes, I intend to do it tonight. That is what I am arguing for, an opportunity; but you are driving me so hard that you are not leaving me a chance to get some sleep and I need it. My beauty, among other things, calls for it.

The CHAIRMAN: Order!

Mr. SMITH: I am opposed to the motion.

Mr. MAYBANK: Surely, you are opposed to it!

Mr. SMITH: I hear sounds coming from somewhere, sounds which are disagreeable, sounds which to me do not make words, phrases, or sentences. I do not know what those sounds are. I suggest we pursue the normal course and if I prove to be wrong in what I have said, that this would give me an opportunity to shorten my examination tomorrow, then you may call me and tell me that I have had too much to say; or I give you the full authority to tell me tonight. Perhaps I cannot give it to you because you already have it; but I certainly would be in agreement with you if you stopped me because I was too prolix in the examination of the witness.

The CHAIRMAN: Mr. Pearkes on a point of order?

Mr. PEARKES: I asked a question of a former witness yesterday and I was referred to the present witness today. I would like an opportunity of putting that question.

Mr. MAYBANK: We are not adjourning.

Mr. PEARKES: I repeat that I would like an opportunity to put that question to the witness. Whether it be today or tomorrow is immaterial to me; but I would like to have that opportunity.

The CHAIRMAN: Mr. Green?

Mr. GREEN: May I suggest that yesterday Mr. Connolly was giving evidence and I got up to examine him when my friend, Mr. Murray, moved a motion that we do not hear Mr. Connolly then but hear Mr. Dixon instead. That motion was voted upon and carried and Mr. Connolly was stood aside and Mr. Dixon was called.

I submit in view of that fact that Mr. Maybank's motion now is completely out of order and should not be put. The effect of his motion is simply to chop off any discussion tomorrow at all.

Mr. MAYBANK: No, no, not at all.

Mr. SMITH: It is closure.

Mr. GREEN: Yes, that is what it amounts to; that tomorrow there can be no witnesses called and that we must proceed with the sections of the bill. If that is what he is moving, I think it is a strange motion for a parliamentary assistant to move on a private bill which he is sponsoring. However, he has taken that responsibility and those are the facts.

I have asked Mr. Dixon to get me some figures, but I suppose that will be cut out. And I say to you that in view of the motion that was put yesterday and carried, the motion is quite out of order now.

The CHAIRMAN: Mr. McIvor?

Mr. McIVOR: Mr. Chairman, we are not adjourning, but as I listened to the debate and to the answers by the witnesses I came to the conclusion that I had got the information which I wanted to get. I do not see any purpose in piling up questions and answers any longer. The witness said that he is perfectly willing to have an all Canadian route if the Board of Transport Commissioners grants it. Canada will be satisfied, and our needs will be satisfied first. That suits me. That is why I second this motion.

The CHAIRMAN: Mr. Riley?

Mr. RILEY: Mr. Chairman I do not see why any questions asked by any members of the committee cannot be asked this evening. I do not think there is anything to prevent the committee sitting beyond 11 o'clock—

Mr. MAYBANK: No, no, let us sit all night.

Mr. RILEY:—with the consent of the members of the committee. I am sure that Mr. Dixon himself, who has been subject to a rather trying ordeal, would not relish having to go through the same thing tomorrow.

Mr. Dixon has been asked questions which had no bearing whatever upon the incorporation of a company. Those questions have gone into details which did not effect in any way the granting of a franchise by parliament, and I think he has been asked already every question except "Who made the world"? There is but very little left to be asked and I think it can be asked tonight.

The CHAIRMAN: Mr. Herridge?

Mr. HERRIDGE: Speaking in support of the argument put forward by Mr. Green I think in fairness to Mr. Green and one or two others I should say that when Mr. Connolly's evidence was terminated at a certain point a question was asked, and the member asking it was told that Mr. Connolly would be

recalled and there would be a further opportunity to ask the question. I think if you examine the record you will see where you said that at that point.

The CHAIRMAN: Mr. Lennard?

Mr. LENNARD: In speaking to the motion in support of the member from Calgary east, may I say I sat here fairly quietly yesterday and I heard on many occasions the member from Calgary east being told that he might better ask a particular question of Mr. Dixon, and he accordingly reserved his question.

The CHAIRMAN: Mr. Goode?

Mr. GOODE: Mr. Chairman, I think this might be a case where a compromise might be worked out. Let us find it! I do not think Mr. Maybank would mind. It is his motion not mine, but why not let us have questions asked from 11 o'clock to 1 o'clock tomorrow and have it generally understood that at that time, by general agreement—that is at 1 o'clock tomorrow—we go on to the bill? That would give everybody a chance.

Mr. MAYBANK: Mr. Chairman, that appears to be a question asked of me, and I think probably the questions should be asked from 11 o'clock to 1 o'clock tonight or until 5 a.m., if anyone wishes. People who have been spending time like the honourable member for Calgary east, have pretty well demonstrated what is going on here and we had better decide whether that minority entirely runs the committee or whether it does not, and I would say that surely the questions can be asked.

The CHAIRMAN: Mr. Harkness?

Mr. HARKNESS: I would like to know what Mr. Maybank means by making that statement? I have asked no questions here which I did not ask in the hope of getting information. I would like to know what Mr. Maybank means? I think Mr. Maybank has implied that I was wasting the time of the committee and wasting it deliberately. I say that is absolutely false and I would like to have him explain what he means? If it does not mean that, then what does it mean?

Mr. MAYBANK: I do not want there to be any misunderstanding as to what I meant, and so that there will not be any difficulty on that score I meant that he was wasting the time of the committee; but he says I implied it; I will make it a little more clear, I say it.

Mr. HARKNESS: I say that is absolutely false.

Mr. MAYBANK: You say it is absolutely false; that is all right. Both statements are on the record. That is O.K. Now, the member for Calgary East as well as others has demonstrated, demonstrated, demonstrated over and over again that they are not dealing with the issues involved in the incorporation of a company. Over and over again from start to finish 95 per cent of the questions have not had to do with something germane to the question of whether or not a company will be allowed to be borne. That is the issue before the committee.

Mr. SMITH: Mr. Chairman, on a point of order: What motion is he speaking to now?

Mr. MAYBANK: As to the question asked a moment ago as to whether or not we could reach a compromise, I think we can effect a compromise if it can be done in two hours; that is one hour on evidence and one hour on the bill, between 11 o'clock and one o'clock; or, if that is not enough let us take more and sit tonight, and then if these gentlemen want to ask more questions they will have that further chance.

Mr. MURRAY: Mr. Chairman, what is the motion before the House?

The CHAIRMAN: The resolution is being discussed, Mr. Murray.

Mr. MURRAY: I would like to have it read again.

The CHAIRMAN: Do you wish to speak to the motion?

Mr. ROONEY: Mr. Chairman, I believe that we are not asked very often to sit long hours. This is a question we want to get cleared up once and for all and if there are gentlemen here who want to ask questions and who are so anxious to do so why not let them state their views if it takes all night to get the thing finished once and for all. I would support Mr. Maybank in his motion.

Some hon. MEMBERS: Question.

Mr. HODGSON: Mr. Chairman, there are a lot of members here who like myself came down this morning at 8 o'clock and we have been in this building ever since. Now, it is quite all right for Mr. Rooney who comes up here at half past eleven or twelve o'clock to suggest that we sit all night; if he had been up here at 8 o'clock this morning he would be glad to call it a day at eleven.

The CHAIRMAN: Are you ready for the question?

Mr. ADAMSON: What is the question?

The CHAIRMAN: All in favour of Mr. Maybank's motion:

Mr. HIGGINS: Before the motion is put, Mr. Chairman, may I put this proposition to you; I would point out that there have been a number of questions asked Mr. Connolly and asked Mr. Dixon that they have said frankly they could not answer because, as Mr. Connolly said, he does not know American law; and you yourself, Mr. Chairman, said that Mr. Dixon was not competent to answer. If this question is one which is affected by American law, and I submit it is, we should know it. I cannot see how we are going to decide to agree on this motion if we are not going to be permitted an opportunity of getting that information.

Mr. ADAMSON: Speaking to this motion, Mr. Chairman,—

The CHAIRMAN: Yes, Mr. Adamson:

Mr. ADAMSON: I have not spoken and I have been sitting here ever since 11 o'clock this morning. There are two or three questions which both Mr. Dixon and Mr. Connolly have intimated were quite important. One of the questions I have in mind is the question of markets and very little has been said about that. I would certainly like to have an answer to this question with regard to markets, even if we do not finish before 11 o'clock. I think one of the most important things on this bill is the percentage of market for Alberta gas, and I would certainly like to ask these questions. I can deal with them tomorrow if there is not time to do so now, because I think you would need to have unanimous consent to sit after 11 o'clock.

Mr. GOODE: Speaking to the motion, Mr. Chairman, I suggest that if we sit from 11 to 1 in the morning that we could devote the first hour, from eleven to twelve to the putting of questions and that at twelve o'clock we might go on with the bill. I would move that as an amendment.

The CHAIRMAN: Are you ready for the amendment?

Mr. MAYBANK: May I speak to the amendment?

The CHAIRMAN: Yes.

Mr. MAYBANK: I do not know that the other members will comprise, but those to whom I have spoken will I think do so to a certain extent at any rate, if it is a case of one hour on questions tomorrow. As for myself, despite the vehemence with which I spoke a little while ago when I said no compromise at all—at least I said that in effect—despite that my friends are I think as desirous as I am that we might accept that division of time. I notice quite a few of my friends nodding their heads. If that be the case, since I would be willing to accept that amendment, perhaps the member (Mr. Goode) would agree and the committee would agree that I might incorporate that in my motion, and the motion would then read that tomorrow the first hour may be devoted

to the taking of further evidence and thereafter we will proceed to a consideration of the bill itself. I think that is the way the amendment reads. Is that acceptable to you?

Mr. GOODE: Yes.

Mr. MAYBANK: Very well.

The CHAIRMAN: I think that is a fair solution all around because there was something said by the chair that it was agreed when Mr. Connolly terminated his evidence in favour of Mr. Dixon that there would be a brief period to hear him again, and I assume that can be done briefly tomorrow morning. Are you ready for the question?

Mr. SMITH: Is the motion to take evidence until one o'clock?

The CHAIRMAN: To take evidence from eleven to twelve and after that to go on to the bill.

Mr. SMITH: If it is eleven to one we will all vote for it.

Mr. CARTER: I should like to ask this question; if the hour is taken up with questioning Mr. Dixon would that exclude Mr. Connolly?

Mr. MAYBANK: One hour of evidence.

The CHAIRMAN: One hour of evidence should cover it. All those in favour of the amendment—

Mr. MAYBANK: The motion itself.

The CHAIRMAN: Yes, the motion itself, the amendment is withdrawn.

Mr. GREEN: What are we on?

The CHAIRMAN: The amendment has been withdrawn and the vote is on the motion which was changed by Mr. Maybank to include the amendment moved by Mr. Goode.

All those in favour of the motion?

(On the showing of hands, 32 for and 11 against.)

The CHAIRMAN: I declare the motion carried.

Mr. GREEN: Could we have a recorded vote?

The CHAIRMAN: Do you think it would do you any good.

Mr. GREEN: Please.

Mr. CHAIRMAN: During the taking of the recorded vote in order that things may be uniform, I will ask all those in favour to say "yea" and those opposed to say "nay" as their names are called.

(Mr. McCULLOCH assumed the chair.)

The vote being taken:

The CLERK: Yeas 31; nays 12.

The Vice CHAIRMAN: I declare the motion carried.

The committee adjourned to meet again tomorrow, April 28, 1950 at 11 a.m.